

THE ECONOMIC TRANSITION
IN INDIA

THEODORE MORISON

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ECONOMIC TRANSITION
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"THE INDUSTRIAL ORGANISATION OF AN INDIAN PROVINCE"

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NOTE

This book contains the substance of a course of lectures delivered at the London School of Economics and Political Science in 1910.

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CHAPTER I

ARCHAIC CONDITIONS OF INDUSTRY

FOR the purpose of a rough classification the nations of the civilised world may be divided into two broad categories: those which have not and those which have passed through their industrial revolution. In the first category are such countries as Egypt, India, Japan, and the kingdoms of Eastern Europe, in which the more archaic organisation of industry still prevails but little modified. To the second category belong such countries as England, France, Germany and the United States, in which the structure of industry has been completely altered and adapted to new methods of production and distribution. This classification is rough, because there is no sharp line of demarcation between the two categories; at

the present time the countries in the first category are showing a tendency to pass into the second ; wherever circumstances permit they are reorganising their industry upon Western lines, and in some of them (such, for instance, as Japan) the signs of transformation are already apparent, and it is clear that they cannot long remain in the first group. But for the present, though for the present only, this classification holds good, and we may describe certain countries as belonging to the old and others to the new economic order. Of these two classes India and England may be taken as representatives. India still retains the principal characteristics of the old economic order, and though, as I hope to show, she is now on the point of emerging from it, she may for the present be regarded as a typical example of a country in the first category. In England, on the other hand, the industrial revolution has probably been completed ; the economic evolution, which had been maturing for over a hundred years, acquired a sudden acceleration towards the middle of the eighteenth century, it was carried far forward before any signs of change were visible elsewhere, and it has probably modified life in England more profoundly than in any other country.

I hold that the old industrial organisation was imposed upon the nations in which it prevailed by the physical conditions in which mankind then lived. At one time these conditions existed in almost all the civilised countries of the Old World, and consequently we find that the economic type produced by them was almost universal throughout Europe and Asia at that time. I recognise that differences of civilisation and religion and historical antecedents produced a multitude of differences of minor economic importance, but if attention is concentrated only upon the main determining factors, it will be found that the structure of industry is much the same in India at the present day as it was in Europe in the seventeenth and eighteenth centuries. I shall attempt to indicate the principal points of this resemblance in the following pages, and shall then proceed to show that the changes which are now taking place in India are the same as marked the industrial revolution in Western Europe.

It will be best to make plain at the outset the greatness of the difference between the two types of society, taking India as representative of the society in which the industrial revolution has yet to come, and England as representative of

that in which it has been carried through. I know of no simpler way of emphasising the contrast between the two than to tabulate side by side the occupations which the people follow in either country.

The accompanying tables (pp. 5 and 6) are taken from the Census (1) of India and (2) of England, in 1901.

It will be noticed that the tables are constructed upon slightly different principles; the Indian table assigns to each occupation the total number of persons supported by it, so that the children are assigned to the occupation in which their parents are employed; whereas in England the population under ten years of age is not assigned to any particular occupation. For our present purpose, however, the difference in tabulation is not important. A glance at the tables is sufficient to show the remarkable dissimilarity in the distribution of the two peoples. In India one occupation—viz., agriculture—dominates the table, all other callings are by comparison insignificant; this one group alone contains more than 65 per cent. of the total population, and it is doubtful whether even this figure gives a correct measure of the overwhelming preponderance of agriculture. The next largest group, XXII. (earthwork and general

OCCUPATIONS

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INDIA.

| Order of Occupation or Means of Livelihood. | Total Supported. | Actual Workers. | | Depen- dants. | Per- centage of Sup- ported to total Popula- tion. |
|--|---------------------|-----------------|------------|------------------|---|
| | | Total. | | | |
| | | Males. | Females. | Both Sexes. | |
| I.—Administration by State or by local bodies | 3,814,495 | 1,307,999 | 70,973 | 2,435,523 | 1.30 |
| II.—Defence, military and naval | 396,055 | 238,193 | 455 | 157,407 | 0.13 |
| III.—Service of Foreign States, civil and military | 1,397,635 | 558,852 | 30,962 | 807,821 | 0.48 |
| IV.—Provision and care of animals | 3,976,631 | 2,199,278 | 346,579 | 1,430,774 | 1.85 |
| V.—Agriculture | 191,691,731 | 60,827,487 | 27,520,631 | 103,344,013 | 65.16 |
| VI.—Personal, household, and sanitary services | 10,717,500 | 3,760,267 | 1,805,703 | 5,151,530 | 3.64 |
| VII.—Provision of food, drink, and stimulants | 16,758,726 | 4,796,381 | 3,330,834 | 8,631,511 | 5.70 |
| VIII.—Provision of light, firing, and forage | 1,461,286 | 406,004 | 468,988 | 586,294 | 0.50 |
| IX.—Construction of build- ings | 1,579,760 | 551,482 | 121,653 | 906,625 | 0.54 |
| X.—Construction of vehicles and vessels | 132,160 | 47,205 | 2,145 | 82,810 | 0.04 |
| XI.—Provision of supplu- mentary requirements (tools, jewellery, etc.) | 1,231,671 | 417,298 | 123,307 | 690,656 | 0.42 |
| XII.—Provision of textile fabrics and dress | 11,214,158 | 3,507,767 | 2,210,543 | 5,495,848 | 3.80 |
| XIII.—Provision of metals and precious stones | 3,710,804 | 1,281,163 | 112,727 | 2,316,914 | 1.26 |
| XIV.—Provision of glass, earthen and stone ware | 2,143,167 | 705,744 | 337,688 | 1,090,735 | 0.73 |
| XV.—Provision of wood, cane, leaves, etc. | 3,790,492 | 1,288,655 | 433,363 | 2,068,474 | 1.30 |
| XVI.—Provision of drugs, dyes, gums, etc. | 455,763 | 151,832 | 64,103 | 239,828 | 0.16 |
| XVII.—Provision of leather, hides and horns | 3,241,935 | 1,149,243 | 251,956 | 1,840,736 | 1.10 |
| XVIII.—Commerce | 4,197,771 | 1,380,654 | 222,998 | 2,594,119 | 1.42 |
| XIX.—Transport and storage | 3,528,269 | 1,484,481 | 76,805 | 1,966,983 | 1.20 |
| XX.—Learned and artistic professions | 4,928,092 | 1,694,513 | 326,691 | 2,906,888 | 1.68 |
| XXI.—Sport | 128,043 | 49,943 | 9,711 | 68,339 | 0.04 |
| XXII.—Earthwork and general labour (not agricul- tural) | 17,953,261 | 5,803,321 | 4,043,577 | 15,106,563 | 6.10 |
| XXIII.—Indefinite and disreput- able occupations | 737,033 | 211,740 | 204,051 | 321,242 | 0.25 |
| XXIV.—Independent of work (property, etc.) | 5,001,008 | 1,890,268 | 929,959 | 2,181,351 | 1.70 |
| Total | 294,188,946 | 95,709,280 | 43,046,902 | 155,431,864 | 100.00 |

ENGLAND.

| | Males. | Females. | Total of Males and Females. |
|--|------------|------------|-----------------------------------|
| Engaged in national or local government | 171,687 | 26,500 | 198,187 |
| Defence of the country | 168,238 | | 168,238 |
| Professions and their subordinate occupations | 311,618 | 294,642 | 606,260 |
| Domestic services | 304,195 | 1,690,722 | 1,994,917 |
| Commercial | 530,685 | 59,944 | 590,629 |
| Conveyance of men, goods, and messages | 1,249,000 | 18,825 | 1,267,825 |
| Agriculture | 1,071,040 | 57,564 | 1,128,604 |
| Fishing | 23,725 | 166 | 23,891 |
| Mines and quarries | 800,179 | 5,006 | 805,185 |
| Metals, machines, implements, and conveyances | 1,174,180 | 63,016 | 1,237,196 |
| Precious metals, jewels, watches, etc. | 130,731 | 18,707 | 149,438 |
| Building and works of construc- tion | 1,042,864 | 702 | 1,043,566 |
| Wood, furnishing, fittings, and decorations | 233,000 | 24,592 | 257,592 |
| Brick, cement, pottery, and glass | 142,365 | 33,148 | 175,513 |
| Chemicals, oil, soap, etc. | 101,938 | 26,702 | 128,640 |
| Skins, leather, hair, and feathers | 80,071 | 25,270 | 105,341 |
| Paper, prints, books, and stationery | 188,057 | 90,900 | 278,957 |
| Textile fabrics | 492,175 | 663,222 | 1,155,397 |
| Dress | 414,637 | 710,961 | 1,125,598 |
| Food, tobacco, drink, and lodging | 774,291 | 299,518 | 1,073,809 |
| Gas, water, and electricity supply and sanitary service | 71,284 | 141 | 71,425 |
| Other, general, and undefined workers and dealers | 681,016 | 61,503 | 742,519 |
| Total engaged in occupations | 10,156,976 | 4,171,751 | 14,328,727 |
| Without specified occupation or unoccupied | 1,977,283 | 9,017,834 | 10,995,117 |
| Population over ten years | 12,134,259 | 13,189,585 | 25,323,844 |

labour), which supports 6·1 per cent. of the population, is closely allied to agriculture, and many of the workers who have been entered under this head are undoubtedly field labourers engaged by the day. Group IV. (provision and care of animals) is again largely composed of persons whose occupation is strictly agricultural; three - fifths of them are herdsmen employed in looking after the village cattle, and in the English table they would certainly have been classed as agriculturists. We shall be on the safe side if we assume that the proportion of the Indian people supported by agriculture is not less than 70 per cent. of the whole.

In England the population is much more evenly distributed over a number of callings; agriculture here is but one of eight groups, each of which contains over a million workers, and there are no less than four industries, or classes of industry, which provide work for more persons than does agriculture. Nor are the remaining groups insignificant by comparison; several of them constitute important and considerable fractions of the population; they are smaller indeed than the eight major occupations, but they yet deserve to be put upon the same plane of national importance. In England

agriculture is but one among several industries. In India it is the one transcendent industry to which the others are but ancillary.

Secondly, the occupations of the people determine where they live, and the relative importance of agriculture in the two countries is reflected in the local distribution of the population. In order to cultivate the soil the people must be spread over it; in India, therefore, the population is diffused more or less evenly over the face of the country; in England it is aggregated in a number of large towns. In India 90·1 per cent. of the people live in villages, and only 9·9 per cent. in towns. For Census purposes, places with over 5,000 inhabitants are reckoned as towns, but many of them are really nothing more than overgrown villages, *i.e.*, aggregations of persons chiefly employed in agriculture. The great bulk of the people live in communities of much smaller size. Of the 265,000,000 persons who live in villages 39·5 per cent. inhabit villages of under 500 souls, 45·7 per cent. inhabit villages of between 500 and 2,000 souls, so that 85·2 per cent. of the rural population live in communities of less than 2,000 persons. The distribution of the English people between town and country is in striking contrast with these

figures. According to the Census of 1901, 77 per cent. of our population dwell in towns or urban districts and only 23 per cent. in rural surroundings. Almost one-quarter (24 per cent.) of the English people live in towns containing 250,000 inhabitants or more, and only one-tenth in towns of less than 10,000.

This brings me to the third and most important difference between the two types of industrial organisation. The Indian village is self-supporting and does not depend for its existence upon exchanges with the outside world; it contains within itself all the elements necessary for rural life. In the words of the authors of the last Census report:—

“A peculiar feature of Indian rural life is the way in which each village is provided with a complete equipment of artisans and menials, so that until the recent introduction of Western commodities, such as machine-made cloth, kerosene oil, umbrellas and the like, it was almost wholly self-supporting and independent.”

It is this feature which most markedly differentiates Indian economy from that of Western Europe at the present day. English towns are dependent for their very existence

upon communication and exchange with each other, and not only with each other but with markets outside England and outside Europe. Consider the case of a manufacturing town such as Manchester: she could not (1) feed herself if she drew her supplies only from the surrounding country; she could not (2) carry on her staple industry unless she was supplied with coal from adjacent counties and cotton from America and Egypt; she could not (3) dispose of one quarter of the product of her textile industry unless she had access to markets outside England and outside Europe. A modern town, such as the bulk of the English people live in, depends for its very existence from week to week upon a complicated series of distant exchanges; and the characteristic of the modern structure of society is the interdependence of the different industrial units; the characteristic of the archaic economy is the isolation and independence of the village which is the industrial unit of that type of society.

I cannot too often insist upon the fact that the English organisation of industry is wholly modern and exceptional. Until a comparatively short while ago, as time is reckoned in history,

the characteristics of the Indian industrial organisation were universal, and even at the present day the bulk of the world's inhabitants (omitting savages who have next to no industries) earn their daily bread under much the same conditions as the people of India. Even in England the modern conditions are of very recent growth; it is only since the industrial revolution that the English have become a nation of townsmen. In the ages which preceded that great change they lived as the people of India still live in villages. Of the rural character of our people in the seventeenth and eighteenth centuries contemporary literature gives abundant evidence: the statistics of this period are meagre, and so it is not possible to contrast them with the figures of a modern census, but such as we have, fully bear out my contention. The most accurate estimate of which I am aware is that of Gregory King, who in 1696 made a calculation of the population "based upon the assessments on marriages, births and burials, parish registers and other public accounts."¹ The foundation of his computation appears to have been the number of houses "in the books of the hearth office."

¹ Gregory King, "Political Conclusions," 1696.

After making sundry small adjustments and corrections, he arrives at the following estimate of the population of England:—

| | | |
|-----------------------------------|-----------|-----------|
| London and the adjoining parishes | . | 530,000 |
| Other cities and market towns | . . . | 870,000 |
| Villages and hamlets | | 4,100,000 |
| | | <hr/> |
| | | 5,500,000 |

According to these figures nearly three-quarters of the population of England at the end of the seventeenth century lived in villages and hamlets, and only one-quarter in towns.

Even these figures do not give us an adequate conception of the insignificance of the towns and the predominance of the country in those days. Many of the market towns were according to modern standards mere villages, and would undoubtedly have been classed as villages by the compilers of the Indian Census. The many "prosperous towns" in the West of England which filled Defoe's breast with patriotic elation were merely big villages with 3,000 or 4,000 inhabitants. France at the same period was even more predominantly agricultural, and Sully's saying that "tillage and pasture were the two breasts which nourished France" long remained an axiom of French finance. Even towards the close of the eighteenth century

Arthur Young estimated that the proportion of the French people who lived in towns was but half that of England; his actual figures, 50 per cent. in England and 25 per cent. in France, are obviously guesses, and indeed the materials for an accurate estimate were then wanting, but he was in a position to judge roughly of the comparative strength of the urban population in the two countries. There is indeed little reason to doubt that up to the time of Napoleon the distribution of the population of France between town and country was not very unlike that which exists in India to-day. If such was the condition of the two most advanced countries of Europe, it is not surprising that in new countries such as the United States of America the proportion of the people supported by agriculture was even larger. The Department of Commerce and Labour of Washington says that in 1790

“it is probable that nine out of the ten bread-winners were engaged in some form of agriculture during the greater part of the year; indeed in the Southern States the proportion was somewhat larger.”¹

¹ “A Century of Population Growth, 1790-1900,” Department of Commerce and Labour, Washington.

The third characteristic of Indian economy prevailed at one time in Europe. The villages and small towns (*kasbahs* they would be called in Northern India) in which the bulk of the population of England and the rest of Europe lived in the seventeenth and eighteenth centuries, were isolated from one another, and were consequently obliged to provide themselves with all the necessaries of life from their immediate neighbourhood :—

“If it were possible,” says Mr W. C. Sydney, “for the reader to retrace his footsteps into the dark backward and abysm of time, and to find himself in some one or other of the provincial towns or villages of the last (*i.e.*, eighteenth) century, few things would strike him more forcibly than their complete isolation from what is commonly called the outside world.”¹

Isolation and economic independence went hand in hand; they may almost be spoken of as correlative terms; in any country and any century a small area, if cut off from communication with its neighbours, is compelled to become self-supporting. As late as the beginning of the nineteenth century, the farmers

¹ “England and the English in the Eighteenth Century,” by W. C. Sydney, vol. ii. p. 217. London, Ward & Downey, 1892.

of New England had few exchanges with the outside world :—

“They lived mainly on what they produced themselves, and many of their exchanges were made without the intervention of money. They swapped or bartered services in the erection of their buildings or in harvesting; they raised, spun and wove their own wool: they packed their own pork; they raised their own corn and paid for grinding it by a toll in kind; they cut their own fuel.”¹ And the writer goes on to observe: “These primitive conditions can even now be observed in the mountain sections of the Southern States.”

Here you have a picture of the old economic order surviving unmodified among one of the most advanced peoples of the world only one hundred years ago.

The independence of the locality was the normal characteristic of society before the industrial revolution; and but little reflection is necessary to show why it was so. It was due to want of transport and means of communication. Exchanges are limited by the means of conveyance, and efficient means of conveyance are for the most part very modern.

¹ “The Distribution of Products,” Ed. Atkinson, p. 36. New York and London, G. P. Putnam’s Sons, 1890.

Where water carriage is impossible and wheeled traffic is slow and untrustworthy, exchanges are confined to those things which can be carried by men or pack animals; the quantities that can be so carried are small and the distances over which they can be transported are inconsiderable. Therefore all communities dependent on such imperfect means of transport had either to produce the things they needed themselves or go without them. Mr Anderson gives us an explanation of the economic independence of the American country town a century ago in words which are really of universal application:—

“Merchandise and produce that could not stand a freight charge of \$15 per ton could not be carried overland to a consumer 150 miles from the point of production; as roads were, a distance of 50 miles from market often made industrial independence expedient. Where the produce of the farm could not be sold, where wood and lumber were not marketable, the people had no resource but to raise their own flax and wool and spin and weave and make their own clothing. Other crafts felt these influences, although the working of wood, metals, and leather fell to skilled artisans in the village rather than to the household.”¹

¹ “The Country Town,” by W. L. Anderson, quoted in “A Century of Population Growth, 1790-1900.”

The characteristics, then, of the old industrial order were the prominence of agriculture and the isolation and independence of the village; and this economic organisation was imposed upon society by the difficulty of transport at that epoch. Now some explanation of the prolonged duration of the old economic order in India is afforded by the fact that in India means of transport were singularly imperfect in the past, and that this deficiency has only been made good in the last half-century.

The difficulty of transport has had so marked an effect upon the industrial development of India that I think it will be worth while to show with some fulness how inferior her resources have hitherto been to those of Europe. Nature has been far more lavish to Europe than to India in this respect, and her bounty was supplemented by art at a comparatively early period; it is no accident that the European supremacy in industry dates from the time at which the improvement in her means of communication first became effective. I must, however, guard myself against the possible misinterpretation that it was the improvement in means of transport which brought about the industrial revolution; in England at least it was the converse which was true:

it was the expansion of industry which brought about improvements in transport. But without such improvements industry could not have expanded either in England or on the Continent of Europe, nor could it expand at this day in India; and as it is the chance to do business which makes business done, the creation of facilities for exchange stimulates industry and accelerates the economic transformation which we call the Industrial Revolution.

Of all means of transport carriage by water is historically the most important, for before the advent of railways it was by water alone that bulky goods could be transported over considerable distances. It is to the unrivalled excellence of its waterways that Europe owed its early pre-eminence in commerce; long arms of the sea run into it in all directions and broad slow rivers give ships access to inland markets. Commerce naturally began with the maritime cities, Tyre, Corinth, and Carthage; then later was transferred to Venice, Genoa, and the towns of the Low Countries, Bruges, Ghent, Antwerp, and Amsterdam. The Low Countries owed their commercial and industrial prosperity in a very special sense to water carriage: the sluggish rivers and the canals that were easily cut in the

flat moist soil gave the Flemish traders the means of moving their goods from one inland town to another; their ships brought them merchandise from beyond the sea and carried back to distant countries the manufactured products of the Low Countries, and it was by her shipping that Holland was enabled to become "the workshop of the world," with the result that that small patch of barren soil could boast of greater wealth than the famous kingdoms of France and Spain. The Thames—for many generations the great highway of Southern England—was, of course, the foundation of the commercial greatness of London; but the Thames is only the greatest illustration of the excellence of the English rivers for purposes of inland-navigation; they are all slow and all constantly supplied with water. In her rivers England possesses a magnificent system of inland waterways, but by the beginning of the eighteenth century they were found insufficient for her growing industry. The first premonitions of the industrial revolution are to be found in a number of Acts for broadening and deepening the rivers. Then came the canals, and with the canals, which made it possible to transport heavy goods from one part of England

to another, the modern era in industry begins. The pioneers of the new methods of manufacture were the earliest promoters of inland navigation; Wedgwood and Boulton realised the enormous advantage to themselves of access to the inland markets, and it was particularly to the growing demand for coal for industrial purposes that the canals owed their origin, so that, as Mons. Mantoux says in his monumental work on the industrial revolution in England,¹ the history of inland navigation is merged in the history of coal. The first canal dug in England, the Bridgewater, owed its origin to the demand for coal. The Duke of Bridgewater owned important coal-fields at Worsley, near Manchester, but owing to the ruinous cost of carriage it was impossible to develop them. From Worsley to Manchester coal was then carried on pack-horses at a cost of nine or ten shillings a ton, though the distance was hardly seven miles; after the canal was built the price of coal in Manchester fell to half. James Brindley, the Duke's engineer,

“having ensured the success of the Bridgewater Canal, turned to a scheme for linking up the four

¹ “La Révolution Industrielle au xviii^e Siècle,” par Paul Mantoux. Paris, 1906.

ports of Liverpool, Hull, Bristol, and London, by a system of main waterways, connected by branch canals with leading industrial centres. Other projects followed as it was seen that the earlier ventures were yielding substantial profits, and in 1790 a canal mania began. In 1792 no fewer than eighteen new canals were promoted. In 1793 and 1794 the number of Canal and Navigation Acts passed was forty-five, increasing to eighty-one, the total number which had been attained since 1790.”¹

Thus, by the end of the eighteenth century, thanks to her insular position and to her rivers and canals, England was richly equipped with means of transport by water. Contrast with this the situation of India at the same epoch. She has been singularly ill-supplied by nature with facilities for maritime commerce; there are no sinuosities in her coast-line; no bays, no inlets of the sea indent the uncompromising wedge that juts into the solitude of the Indian Ocean: she has few natural harbours, and such as there are do not command the approaches into the interior. Inland navigation in most of India is next to impossible. Indian rivers are not natural waterways like the rivers, deep,

¹ “British Canals,” Edwin A. Pratt. London, John Murray, 1906.

broad, and full, of Europe; according to the change of season they are usually either rushing torrents or strings of pools amidst a wilderness of sand, in either case wholly unsuitable for navigation. The only part of India which unaided nature has endowed with waterways is Bengal; elsewhere transport by boat has been of little assistance to commerce.

Take next the provision of roads, which before the days of canals and railways were the most important means of promoting inland trade. In the matter of roads England probably lagged behind India for many generations. In this respect the natural advantages were on the side of India; the hard and dry Indian soil, if left to itself, offers a surface over which a wheeled vehicle can travel without insuperable difficulty, and the Moghul roads, though they were merely tracks across the open plain, kept free of jungle or cultivation and provided with *sarais* at the halting stages, were probably passable enough. But in England the soil is so soft through constant rain that the wheels of a laden cart cut deep into it, and the line along which several carts have travelled soon becomes a stream of mud impassable to anything on wheels. To the atrocious character of the English roads

in the seventeenth and early eighteenth century, every traveller bears indignant witness. During the winter months villages even in the vicinity of London itself were completely isolated.

“The road between the court suburb of Kensington and Piccadilly,” wrote Lord Hervey in 1736, “is grown so infamously bad that we live here in the same solitude as we would do if cast on a rock in the middle of the ocean, and all Londoners tell us that there is between them and us an impassable gulf of mud.”¹

It is said that the first serious attempt to provide England with a national system of roads owed its origin to the invasion of the Pretender Prince Charles; the entire absence of roads had obstructed the concentration of the English army and made it possible for the Highlanders to penetrate as far as Derby in the very heart of England. To whatever cause was due the systematic construction of turnpike roads which began after 1745, it resulted in great benefit to the trading classes and an enormous development of internal commerce. It was noticed that the transport of corn, coal, and merchandise required but half the number of horses that

¹ “England and the English in the Eighteenth Century,” vol. ii. p. 6.

were previously needed ; business journeys were accomplished twice as quickly ; agriculture developed side by side with commerce ; everything wore an air of prosperity ; all English produce rose in value ; and the pivot upon which this whole movement turned was the improvement in the high roads.¹ These turnpike roads were often bad enough, as Arthur Young profanely testified, but that he was able to travel so often in a chaise is a measure of the great improvement that had taken place. As the new industrial forces asserted themselves the improvement of the roads was vigorously demanded. By the opening of the nineteenth century Telford and Macadam (who were born in 1756 and 1757 respectively) had begun the construction of those smooth and level roads to which we have grown so accustomed as to think them part of the natural order of things, but which filled our ancestors with delighted admiration. It is amusing to recall how our grandfathers hugged themselves with satisfaction upon the progress they had accomplished, and looked back with commiseration upon their own less

¹ *Vide* H. Homer, "An Inquiry into the Means of Preserving and Improving the Public Highways of the Kingdom," quoted by Mantoux, *op. cit.*

fortunate ancestors. In 1825 the *Quarterly Review* said:—

“It is true that we, who in this age are accustomed to roll along our hard and even roads at the rate of eight or nine miles an hour, can hardly imagine the inconveniences which beset our great grandfathers when they had to undertake a journey—forcing their way through miry lanes, fording swollen rivers, obliged to halt for days together when the ‘waters were out,’ and then crawling along at a pace of two or three miles an hour in constant fear of being set down in some deep quagmire, of being overturned, breaking down, or swept away by an inundation.

“Such were the travelling conditions of our ancestors, until the Turnpike Acts effected a gradual and most favourable change, not only in the state of the roads, but in the whole appearance of the country, by increasing the facility of communication and the transport of many weighty and bulky articles which before that period no effort could move from one part of the country to another. The pack-horse was now yoked to the waggon and stage coaches and post-chaises usurped the place of saddle horses. Imperfectly as most of these turnpike roads were constructed, and greatly as their repair was neglected, they were still a prodigious improvement: yet for the conveyance of heavy

merchandise the progress of waggons was slow and their capacity limited. This defect was at length remedied by the opening of canals, an improvement which became with regard to turn-pike roads what these had been to deep lanes and pack-horses."

After an account of the growth of canals the writer in the *Quarterly* adds:—

"Yet these expensive establishments for facilitating the conveyance of the commercial, manufacturing, and agricultural products of the country, excellent and useful as all must acknowledge them to be, are now likely in their turn to give way to the invention of Railroads."¹

The opportunity of travelling at the rate of eight or nine miles an hour no longer fills us with elation, and we are inclined to smile at the complaisance with which the writer reviews the progress achieved, but in reality it was thoroughly justified. Before the first railway was built our ancestors had entirely overcome the immobility of heavy goods, and had broken down local isolation and local independence. The steam-engine and motor car have but perfected their achievements.

¹ Quoted by E. A. Pratt, "British Canals," p. 17.

The *Quarterly's* retrospect upon the progress achieved in England by 1825 is particularly interesting for the purpose of comparison with the condition of India at that time. At the beginning of the nineteenth century the internal means of communication were still in the primitive condition which had prevailed under the Moghuls. Canals for navigation did not exist, and the construction of metalled roads upon an extended scale was not taken in hand until the time of Lord Dalhousie (1848-1856). I have talked with an old gentleman in the Aligarh district who used to say that in his youth there was but one metalled road in the province, the Grand Trunk Road, which ran from Calcutta to Ambala; all others were simple tracks cut by village carts across the face of the country: in the rainy season they were impracticable; in dry weather they could only be negotiated by a springless bullock cart, the wheels of which were in those days usually made of solid discs of wood, for no spokes or felloes would have survived the jolting of the way. This vehicle travelled at the rate of two or three miles an hour, except when the way ran through a patch of sandy country, in which even the patient bullocks could hardly

make headway. No wonder that pack animals, the unfailing indications of bad roads, were still employed as they had been in England two or three generations earlier; but even these were not an unmixed advantage, for a bygone collector uttered loud complaints against the "Banjaras conveying corn on pack animals who devastated the crops along the line of their march, and hammered the villagers who protested."

Another circumstance which in India limited the exchanges between one industrial area and another was the insecurity of the ways. In the great anarchy of the eighteenth century, when local isolation was being broken down in England and France, all travel was dangerous in India. More or less regular armies of Marathas and Afghans were constantly moving over the face of the country; bands of marauding Pindaries or filibustering Sikhs beset the roads; even when passing through the territories of well-established chiefs travellers often had to pay a shrewd toll for the privilege of not being molested. It is true that according to our civilised standards highwaymen made travel in England very precarious in the eighteenth century, but they could only operate single-

handed upon lonely heaths, whereas in India at the same period gangs of marauders, and even armies of freebooters, burned villages and sacked whole towns. In such an age it is not surprising that roads were not constructed, and even when the East India Company had established peace they appear to have been singularly remiss in carrying out this plain duty of a civilised government, and it was not until the middle of the nineteenth century that Lord Dalhousie compelled them to take it up on an adequate scale.

There was thus a synthesis of adverse causes in India which arrested the spread of exchanges and kept the village isolated and independent to a much later period than in Western Europe.

Railways have now made it unnecessary for the rural population to depend for the necessaries of life upon their own locality, and have thus removed the principal reason for the peculiar social structure which was characteristic of the old order; but railway communications did not become widespread in India till the last twenty years, and there is therefore little reason to wonder that the village has as yet but slightly modified its immemorial way of life.

From the isolation of the village there follows one very important consequence, which explains, at least in part, why countries which, like India, are in the earlier stage of development are comparatively poor. The distribution of the population among isolated villages prevents the division of labour. The reason is obvious; it is in the forefront of Adam Smith's admirable exposition of the advantages of the Division of Labour (Bk. I. chap. iii.).

“As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small no person can have any encouragement to dedicate himself entirely to one employment, for want of power to exchange all that surplus part of the produce of his own labour, which is over and above his consumption, for such parts of the produce of other men's labour as he has occasion for.”

And Adam Smith proceeds to give an illustration which is singularly pertinent to our subject:—

“Country workmen are, almost everywhere, obliged to apply themselves to all the different

branches of industry that have so much affinity to one another as to be employed about the same sort of materials. A country carpenter deals in every sort of work that is made of wood; a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet-maker, and even a carver in wood, as well as a wheelwright, and plough-wright, a cart and waggon-maker. The employments of the latter are still more various. It is impossible there should be such a trade as even that of a nailer in the remote and inland parts of the Highlands of Scotland. Such a workman, at the rate of 1,000 nails a day, and 300 working days in the year, will make 300,000 nails in the year. But in such a situation it would be impossible to dispose of 1,000, that is, of one day's work, in the year."

Adam Smith's words might be applied with hardly any modification to an Indian village; indeed, in the Report of the last Census will be found a very interesting parallel passage, though it occurs, oddly enough, as an illustration of the difficulty of classification.

"The shepherds find a place in one group, in Order IV., and the blanket weaver in another, in Order XII.; but it is the rule rather than

the exception for the same man to combine the two functions. The Mali or garland-maker also makes flowers of pith and fireworks; and money-lending and grain-dealing are in many parts merely different aspects of the same business." In Madras "the ordinary vernacular term for the village cobbler is *chakkiliyan*, and it would never occur to an enumerator that this was an inadequate description of a man's occupation. But in the scheme, leather-dyers, shoe, boot, and sandal makers, tanners and curriers, sellers of manufactured leather goods, sellers of hides, horns, bristles, and bones, water-bag, well-bag, bucket, and ghee pots, are all differentiated. The village cobbler is probably any or all of these by turns, and it was not easy to ensure that the entry 'Chakkiliyan' was always consistently classified under the most appropriate of these heads."

We all know, of course, that the village carpenter in India must, as Adam Smith described, do every kind of woodwork which there is to be done in the village. If he attempted to specialise, *e.g.*, as a wheel-wright, he would not find enough work to keep him busy for a quarter of the year. There cannot, from physical causes, be in an isolated village any but the rudest division of labour. If

these artisans could be aggregated together in a few large towns, as they would be in the modern industrial system, they would each be allotted a special task at which they would attain dexterity, they would work under the guidance of a skilled manager, who would compel them to make use of the most modern tools and processes, and they would be graded according to their strength and skill. These advantages in production are lost by the archaic diffusion of the population among isolated villages. When we consider how greatly the wealth - producing capacity of a nation is increased by the division of labour, we realise how much the industrial development of India has been retarded by the prolonged duration of the old economic organisation, and what important practical consequences must follow upon the adoption of modern methods of production and distribution.

CHAPTER II

THE VILLAGE

THE isolated and independent village is the industrial unit of the old economy, and it is to the village that we must go to study the conditions in which men live and work who are still under the old dispensation. As villagers are everywhere confronted with certain common difficulties and desire to attain certain common ends, it is not surprising that they have everywhere come to frame some sort of village organisation and that the main features of that organisation are everywhere much the same. This will, I fear, seem a very flat and uninteresting explanation of the origin of the village community. The village everywhere has been the theme of much ingenious speculation and many learned controversies; scholars have read into its simple annals political or economic doctrines of very recondite origin, and the

Indian village has not fared any better at their hands than the German Mark or the Russian Mir; Sir H. Maine saw in it a survival into modern times of the primitive communism of the early Aryans, but it is now acknowledged that he misread the evidence upon which he based his view. In the sociological world fashions change with bewildering rapidity, and the Indian village is now made to wear another set of doctrines. I have no views to expound regarding these high matters; all I wish to emphasise is that physical conditions from which there is no escape impose upon the archaic village a certain organisation of industrial life, and that wherever these conditions remain unaltered the village constitution must be much the same. The resemblance between the Russian and the Indian village will occur to every one. It is perhaps less generally realised that the villages of ancient France were organised in much the same way as are the villages of India at the present day. No one familiar with Indian Settlement Reports can read Mons. A. Babeau's work, "Le Village sous l'Ancien Régime,"¹ without remarking the

¹ "Le Village sous l'Ancien Régime," par Albert Babeau. Paris, Didier et Cie., 1879.

general similarity presented by the village communities in both countries. According to Mons. Babeau three principal causes contributed to the formation of the village communities in France, viz.—the defence of common interests, the upkeep of the Church, and the payment of the king's taxes. These taxes were imposed upon the village in a lump sum by the king's officers; the inhabitants assembled together and apportioned among themselves the contribution which each individual had to pay; they elected a representative or agent who collected the several payments and paid them over to the king's officer; but every member of the community was individually liable for the payment of the revenue for which the whole village was assessed.¹

The village appointed watchmen to protect its goods, and herdsmen to look after its sheep and cattle, and these village servants were paid, as

¹ "Le Village sous l'Ancien Régime." *Vide* p. 16.—"Trois causes principales avaient contribué à sa formation : la défense des intérêts, l'entretien de l'église, la levée des impôts royaux. . . ." P. 226.—"Les collecteurs dans les pays d'élection furent chargés de la répartition de la somme imposée sur la paroisse ou la communauté. . . ." P. 225.—"Les paroissiens firent eux-mêmes ou désignèrent ceux qui devaient faire la répartition, la collecte et le versement des fouages entre les mains du receveur de l'Élection. . . ." P. 19.—"L'unité communale était reconnue officiellement du jour où la répartition des tailles et des gabelles se fit par paroisse et où l'on rendit chacun des habitants solidaire du paiement de la contribution imposée sur tous."

village servants still are in India, by contributions from each proprietor in proportion to his income.¹ With the growth of the central government in France the executive organisation of the village decayed, and as an effective force it had ceased to exist at the time of the Revolution. In 1789 political rights were conferred on the French peasants, but these were no adequate substitute for the humble yet more practical privileges which they had previously enjoyed.² In India, too, a centralised administration protected the village from the oppression of the *zamindar*, but by taking charge of the functions

¹ "Le Village sous l'Ancien Régime," p. 12.—"La communauté se constitua virtuellement, lorsqu'elle choisit ses gardes et ses pâtres pour surveiller ses biens et ses troupeaux." P. 94.—"Les messieurs et les pâtres étaient rémunérés par une redevance fixée pour chaque propriétaire d'après la quantité de ses terres et de ses bestiaux."

² *Ibid.*, p. 28.—"Depuis le moyen-âge la communauté d'habitants avait peu à peu élargi les liens qui l'enserraient; avec l'aide de l'Eglise, elle avait résisté aux seigneurs; avec l'aide des seigneurs elle s'en était presque entièrement affranchie. Pendant ces longs siècles de patients efforts, la nécessité avait soutenu son énergie et elle n'avait paru abdiquer qu'au moment où la protection administrative avait rendu son action moins utile. A mesure que les institutions générales se fortifiaient, le caractère des individus s'était affaibli. Sous une centralisation toujours grandissante, dont les ramifications s'étendirent à toutes les extrémités du pays, la communauté perdit une partie de sa vie propre; son administration fut moins patriarcale et moins directe; et lorsqu'à partir de 1789 des droits politiques furent conférés aux habitants des campagnes, ces droits ne replacèrent pas toujours pour eux les droits plus pratiques et plus à leur portée, que longtemps ils avaient directement exercés."

previously discharged by the village *panchayat* it weakened the springs of local autonomy, and the Local and District Boards, established later, have probably proved no substitute for the narrower but more vigorous self-government of the village.

Let us now examine a typical village of Northern India. For economic purposes the inhabitants of such a village may be divided, according to the industrial functions which they discharge, into three distinct groups. The first is the landowning group. The land attached to the village is owned either by individual landlords or by a family or tribe who have, jointly, proprietary rights in the soil. Over a great part of the Panjab the landowners are themselves the cultivators of the land and correspond very closely to the vanished yeomen of the old English village. In the United Provinces, with which I am most familiar, the more usual practice is for the landlord to let his land to tenants; he himself lives on the rents they pay and takes no active part in cultivation. But whether they are cultivators or not, the landowning class always enjoy a higher status than the other inhabitants of the village.

The second group, which is usually the

largest, is composed of tenants, who cultivate small holdings of four or five acres with such labour as they themselves, assisted by their families, can supply. Below these, and lowest in the social scale, is a group of miscellaneous artisans and menials, who are the servants of the village. Small as this group is numerically it is an important factor in the village economy. Almost every village possesses a carpenter, a blacksmith, a potter, a barber, and a washerwoman; in larger villages there may also be found a weaver, a cotton-carder, and an oilman (*i.e.*, one who manufactures oil from oil-seeds). The blacksmith and the carpenter follow industries which are directly subsidiary to agriculture; they make and repair the carts, ploughs, and other simple implements of Indian husbandry: the potter supplies domestic utensils, and the barber and the washerwoman perform services for the rural population which Indian social habits have delegated to a particular class of the community. Lastly, apart from the three groups and, as some would say, a parasite upon the village rather than a member of it, is the Bania, who combines the functions of money-lender and grain-dealer.

The cultivators, whether they belong to the

first group (landowners) or to the second (tenants), are both numerically and economically the most important class in the village; they constitute the bulk of the inhabitants and they direct the staple industry upon which the prosperity of all depends. Under whatever title the land is held, the manner in which agriculture is conducted is always the same. The cultivator works a small holding—so small that we should in England be tempted to call it an allotment—at his own risk and for his own profit; the labour is supplied by himself and his family, and all the capital which is invested in the industry is that which his own small means and slender credit enable him to supply. If the word did not appear too grandiose for so humble a person, I should say that the cultivator of the old economy was the *entrepreneur* in the agricultural industry, for it is he who undertakes the risks of production and sets industry in motion. This is the first and most striking characteristic of the old economy, and it extends to all callings. Everywhere industry is in the hands of a number of small masters working independently upon their own account; wage earners, who in Europe form so large a proportion of our labouring

classes, are comparatively rare in India. On the continent of Europe the small farmer has managed to survive to the present day, but in England we are now so familiar with the capitalist farmer who works a big piece of land by means of hired labourers, that we need to be reminded that in the old English village the yeoman tilled his ancestral fields in the same way as the Indian cultivator. The yeoman and the small master "manufacturer" disappeared from England at about the same time; because, as Mons. Mantoux observes, "both of them were an integral part of the same social system which was founded upon the co-existence and the close alliance of production on a small scale in agriculture and production on a small scale in industry," and the industrial revolution consisted in the break-up of that social system.

A second characteristic of agriculture in the archaic village was the open or common field, which may still be seen in India.

"In the typical Punjab township only the more valuable fields near the village are surrounded by walls or hedges to protect the crops and keep out the cattle. The whole of the

rest of the area, sometimes thousands of acres in extent, consists of open, unenclosed fields, over which, after the crops have been cut, the cattle roam at pleasure. The land is not uniform in character, and from time immemorial, whenever a partition took place, each shareholder endeavoured to obtain a bit of land of each different quality, so as to be rendered more secure against the vicissitudes of season, which affects the different blocks of land differently according to their soil or position. The consequence is that the typical peasant's holding consists not of a continuous plot of land all in one place, but of a field here and a field there, scattered over the whole area of the township, often a mile or more apart. This leads to a great waste of time in going from one field to another, and makes it difficult for the peasant to protect his crops, or cultivate them at different times or in different ways from those adopted by his neighbours; and when an enterprising peasant proprietor wishes to make a well, or embank his fields, or try a new crop, or alter his method of cultivation, he finds this scattered open field system a great obstacle in his way. A movement is therefore growing up for consolidation of holdings by exchange of isolated fields, so that the individual peasant may have as much as possible of his holding in one continuous block, which he can

enclose within a ring-fence and treat as he pleases.”¹

The minute subdivision of the land, such as we see in India to-day, was a universal characteristic of archaic agriculture, and, according to an official report,² might be found all the way from the south of Spain to Siberia, by the banks of the Loire and on the plains of Muscovy. Before the sixteenth century it was established in England³ almost everywhere; at the beginning of the eighteenth century it still prevailed in most counties. In 1794, though much curtailed and threatened, it survived in 4,500 parishes out of a total of 8,500. It may still be seen in the Isle of Axholme, as was recently noted in the *Times*, “which has been left as a kind of outlier in time to report to the twentieth century on the manner of landholding of our remotest

¹ From a paper read by Sir James Wilson, late Financial Commissioner of the Panjab, to the Royal Economic Society, on 9th February 1910.

² General Report on Enclosures. Board of Agriculture, 1808.

³ “Open and common fields are tracts of land wherein the property of several owners lies promiscuously dispersed.” H. Homer. Essay on the nature and method of ascertaining the specific shares of proprietors upon the inclosure of common fields (1767). This definition by a contemporary authority is, I think, sufficient evidence that the common field system recognised private property in land, and that in the eighteenth century at least there was no trace of *common* property left in it, even if we concede what is vigorously denied, that it originated in a village communism.

forefathers.”¹ I need not remind the reader that this subdivision of the land is the basis of the theory that the prehistoric Aryan settlements were communistic.

The third characteristic of the industrial life of an Indian village, and the one which would most astonish a European man of business, is (or was until recently) the rareness of the use of money either to effect exchanges or to remunerate services. The need for money is but rarely felt in a community which produces within itself all the necessaries of life, and which, except for the purchase of salt and occasional luxuries, has no need to make exchanges with the outside world.² Industrial life centres round the crops, which are the direct occupation of the majority, and upon the success of which the prosperity of all depends. In such a community grain is the natural standard of value, and it is used as money by the villagers in their exchanges with one another; in the same way and for the same reason sheep and oxen are the money of pastoral people, and furs were used as currency

¹ The *Times*, 10th October 1910. “A Pilgrimage of British Farming.” No. XV.

² Every mile of railway laid down tends to reduce the isolation of the village, and the use of money is now far more common in the Indian village than it was a generation ago.

by the trappers of North America. The inconveniences which would attach to the use of grain as money in a modern community are not felt in the village ; the bulkiness of grain is no obstacle to its use in effecting exchanges, as it has not to be transported outside the area of the village. On the other hand, it possesses in a greater degree than silver or copper the attribute of being universally desirable. The only other possession which is equally desirable is land, and where payment can be made in that form, we see that allotments of land are used for the remuneration of services. As, however, we have already observed, the possession of land confers a superior status in the village, and therefore this form of remuneration is usually reserved for somewhat exalted personages. Mr H. A. Rose gives, in the Census Report of 1901, the following interesting account of this method of remuneration :—

“Under the old social system of these Provinces (the Panjab), every tract and, to a certain extent, every village was a self-contained economic unit, in which were produced the simple manufactures required by the community. . . . Below the landholding tribe, and subject to its authority, were the various sacerdotal.

artisan, and menial classes, which have more or less crystallised into castes, and these classes were economically and socially closely dependent on the dominant tribes who owned the land and controlled its allotment. These castes were all more or less servile and were paid by a share of the produce of the soil, or more rarely by fixed allowances in kind, cash payments being probably a very recent innovation. But the better classes among them were also assigned land for maintenance, and this system was specially fostered by the priestly groups, so much so that according to Pathan custom, all Sayids, all descendants of saints, and all descendants of *mullahs* of reputation for learning or sanctity, are entitled to grants of free land called *seri*, the amount of the grant varying according to the degree of inherited sanctity. In precisely the same way the Brahmans were given grants of land (*sasan*) varying in extent from a group of villages conferred by the State to a mere plot granted by a village community or a section of it. The possession of such a grant conferred a high social status on the grantee, so that the Sasani, or beneficed, Brahman of the hills stands higher than those who have no such grants. Similar grants were also made to any religious personage or to a shrine or temple, and by an extension of the same principle to men of the artisan classes.

These grants were alike in character, and conferred no absolute right of ownership, the grantee (? grantor) having an inherent power to resume a grant if the purpose for which it was made were not fulfilled; but the grants varied in degree, those to shrines or sacred personages to all intents and purposes conferring a permanent right of possession hardly distinguishable from ownership, and those made to menials being wholly precarious. The tenures thus conferred, whatever their precise legal nature, enabled the servile classes to eke out a living by cultivation, but it left them menials or artisans or priests as before, and custom forbade them to change their abode without the consent of the landholders. And if the dominant tribe migrated its dependent castes went with it, the Brahmans of the tribe, its Bhats, Doms, and other menials migrating also, a custom which even now may be found in operation in many cases in the Chenab Colony. Thus each tribe at least, if not each village, was economically a water-tight compartment, self-contained and independent of the outside world for the necessities of life, but for commodities not obtainable within its own borders it depended on foreign sources of supply and on the outside castes, such as the Labanas, or salt traders, who formed no part of the tribal or village community."

In order therefore to realise the industrial life of the village the reader must imagine to himself a society in which a certain set of services are remunerated by assignments of land, while other services are paid for in kind. He must further imagine that the rate at which these payments are made is determined by a minute and complicated set of village customs. The majority of the payments are made when the industrial operation, to the success of which all have contributed, is brought to a conclusion, that is, when the crops are harvested. From Dr Grierson's "Account of the Gaya District" I extract a rather full description of the way in which these payments are calculated, and if the English reader will have the courage to face a rather formidable array of Indian names, he will find it repay attention. Like much of the social organisation of more primitive times the system appears to townsmen singularly complicated and cumbersome.

"The crops, after being threshed and cleaned, are then divided. First, the practice of *batái* or division differs in almost every village, each of which has its own custom or *lagán*. In some villages more and in some less is given or allowed

to landlords, tenants, or labourers. When the crops are cut and the sheaves are being harvested each day, the first deduction is made of *mazdúri* or labourer's share. This is allowed as a rule at different rates for the two classes of labourers, one for outside labour, and a more favourable rate for the regular village servants. In some villages the rate allowed is 1 sheaf in 21 for outside coolies and 1 in 16 for village servants, in addition to which they are allowed a daily diet allowance, under the name of *lohrá chhakauti*, at the rate of, generally, about enough grain in the ear to give for an outsider 5 seers¹ per day, or for a village servant 16 seers per day. In other villages the rate allowed is as high as 1 sheaf in 11 to village servants, and more often 1 in 12. In one village the rate for outside coolies is as high as 1 in 12; but this is an exception. The diet allowance also varies. In some villages each cooly gets 2 seers per day; in others 10 seers for each 21 *bojhás* or sheaves cut; in others about 6 seers per day. In some villages, again, outside coolies get only half the allowance. This diet allowance is made over to the tenant to disburse as he likes, and is considered one of his perquisites. After this the blacksmith,

¹ A seer = $2\frac{2}{3}$ lbs. avoird.

carpenter, dhobi, etc., get their shares, generally as follows :—

| | | | | |
|---------------|--------------|----|---------------|-------------------|
| 1 | <i>bojhá</i> | to | <i>barhi</i> | (carpenter), |
| 1 | „ | „ | <i>lohár</i> | (blacksmith), |
| $\frac{1}{2}$ | „ | „ | <i>chamár</i> | (leather-worker), |
| $\frac{1}{2}$ | „ | „ | <i>hajám</i> | (barber), |
| $\frac{1}{2}$ | „ | „ | <i>dhobi</i> | (washerman), |
| $\frac{1}{2}$ | „ | „ | <i>bhát</i> | (village bard), |

from each tenant, and to any beggars contributions are given at the rate of $\frac{1}{2}$ seer or 1 seer each. This last is called *bhichchha*. After this the remaining sheaves are threshed and the grain collected into one heap and weighed; then out of the undivided grain the village officials are allowed their share (*rasúm*) in the shape of in each maund¹ to the—

| | | | | | |
|----------------|------------------|---|---|---------|---------------|
| <i>Patwári</i> | (accountant) | . | 4 | chitaks | (i.e., 8 oz.) |
| <i>Gorait</i> | (watchman) | . | 2 | „ | |
| <i>Baráhil</i> | (peon) | . | 2 | „ | |
| <i>Kumhár</i> | (potter) | . | 1 | chitak | |
| <i>Tahlú</i> | (office servant) | . | 1 | „ | |

“In some villages the *patwári* and *gumáshta* (landlord's agent) get 8 chitaks between them. The *baráhil*, *gorait*, *hatwe* (weighman), *tahlú*, and *kumhár*, each 2 chitaks. These allowances are made out of the undivided grain, and thus

¹ A maund = 82 $\frac{2}{7}$ lbs. avoird.

fall equally on landlord and tenant. In some villages the *badhrvár*, or field-watcher, gets 2 chitaks. In one or two villages I have found 4 chitaks deducted as *chalsá*, which is a perquisite of the landlord, and 4 chitaks as *partúl*, which is a perquisite of the *hatve* or weighman. The concessions to the tenants are then made; sometimes under the name of *charseri* or *doseri*, under which 4 seers in 1 maund are allowed to high castes and 2 seers to lower castes, or 2 seers only to higher castes and 1 seer to lower; sometimes under the name of *tarhi gár* and *bishunpirit*, when a portion of the heap, estimated at about 2 seers to each maund, is portioned off for the tenant. Then the remaining grain is divided equally between the tenant and landlord; and, finally, the concession to the landlord under the name of *neg*, at the rate of, on the average, $1\frac{1}{4}$ seer per maund to each high class, and $2\frac{1}{2}$ seers to each lower class tenant, are deducted from the tenant's heap and given over to the proprietor's heap. These rates differ in each village; there are often three and four classes, the *jethraiya*s (or headmen) being most favoured, the lower castes the least; *goálás*, who supply milk and *ghi* in some villages, are charged a lower rate. In some villages *changi* is charged at the rate of $2\frac{1}{2}$ seers for each 21 *bojhás* or sheaves cut by outside coolies. And again *paserá*, at the rate

of 5 seers per tenant whose grain exceeds 10 maunds (in some villages 5 maunds is the limit), is also transferred to the proprietor's heap. Finally, from the proprietor's heap the *gorait* gets a *pabbi* of 4 chitaks per maund, and the *gaunwa pánde*, or village priest, another 4 chitaks. On taking an average of five villages I have found that the average cost of labour of cutting comes to from 8·8 to 7·9 per cent., and that of the balance, after deducting 2·4 per cent. for the village officials, the tenant gets 49·16 to 48 per cent., according to his caste, and the landlord 48 to 49·66 per cent.; in other words, that, granted the sharing of the portions of the village officials, the landlords and tenants as a practice divide half and half, the lower castes getting rather less, and the favoured castes rather more. As to whether the village officials' shares should be deducted equally from the tenants' as from the landlords' shares, there is a good deal to be said on both sides. The village officials, though nominally the servants of the landlord, are in this district required quite as much by the tenant as by the landlord, and their services are utilised for the benefit of both; the *patwári*, who takes the largest share, is really the village solicitor. The tenants are all illiterate men, and are, as a rule, dependent upon the *patwári* for their titles to any property they possess—certainly for

their titles in land. He writes any deeds that are required in the village, and acts as scribe generally to the community. The *gumáshta* has the responsibility of the irrigation of the crops, and has to settle disputes between the different tenants as to water, etc. He also heads the villagers when they have to protect their rights by a *levée en masse*, and also in the subsequent inevitable litigation. The *baráhils* are expected by the tenants to watch the crops and prevent grazing. The *tahlú* and *kumhár* seem to be engaged more in the landlord's interest than the tenant's, but they are appurtenances of the *patwári* and *gumáshta*, and, as such, their share must be taken along with the *patwáris* and *gumáshtas*.

“It is thus found that the landlord and tenant both make concessions to each other, and that as a result the landlord only receives about $\frac{7\frac{1}{2}}{16}$ of the gross produce, out of which he has to pay the tithes of the village priests, so that as a nett result he receives only $\frac{7\frac{7}{8}}{16}$ of the produce. This is very much less than is usually assumed to be the case, and shows that under conditions in which neither party can dispense with the assistance of the other, they can manage their affairs very well by themselves. The concessions to the tenant do not extend to the small portion of the cultivation that is

covered by fixed cash rents; at any rate they are not so apparent, although the higher castes very often pay a smaller rent than the lower, and do not make the same contribution towards the pay of the *patwári* and village establishment."

It might be thought from these extracts that the lives of the villagers are minutely regulated by custom; yet it must not be inferred that competition among them is entirely wanting. It would indeed be strange if it were so, for competition is only another name for that struggle for existence which runs through all animate nature, and if it were wanting in the village there would be little prospect of its inhabitants ever retaining an industrially more advanced position. As a matter of fact, the antagonism between competition and custom is often exaggerated; it will generally be found that in practice they do not produce very dissimilar results. When they diverge, custom is usually altered to bring it into harmony with the practical requirements of the case. It would not, I think, be fanciful to compare custom and customary payments with the "agreements" as to wages which are come to between employers and Trades Unions as a

result of collective bargaining; for the time these agreements appear to suspend competition; but it is only for a time, and as soon as they are inconsistent with the result which would be brought about by free competition, they are revised. In some such sort custom expresses the agreements arrived at by a primitive people.

But in many of the relations that exist in the village, competition is plainly discernible. It is revealed most nakedly in the never-ending struggle for land among the cultivators: if they are tenants they are driven by the force of competition to pay rack rents; if proprietors, their insatiable land hunger brings them to the door of the money-lender. Both rack-renting and usury are evils which are characteristic of the old economy, and they will form the subject of the next two chapters.

CHAPTER III

COMPETITIVE RENTS

IN the whole range of economic literature there are few pages of such austere eloquence as those in which Mill described the evils which inevitably spring from competition for land among an ignorant peasantry.

“When,” he wrote, “the habits of the people are such that their increase is never checked but by the impossibility of obtaining a bare support, and when this support can only be obtained from land, all stipulations and agreements respecting amount of rent are merely nominal; the competition for land makes the tenants undertake to pay more than it is possible they should pay, and when they have paid all they can, more must always remain due.”

The conclusion which Mill came to from a survey of the effects of unrestricted competition for land in Ireland was this:—

“Peasant rents ought never to be arbitrary,

never at the discretion of the landlord; either by custom or by law it is imperatively necessary that they should be fixed; and where no mutually advantageous custom such as the metayer system of Tuscany has established itself, reason and experience recommend that they should be fixed by authority; thus changing the rent into a quit rent and the farmer into a peasant proprietor."

The relations between landlord and tenant in India confirm every word that Mill wrote, and they have driven the Indian Government to enforce by a series of legislative enactments the conclusion at which he arrived. Indian experience suggests but one point in which his remarks need qualification, and that is the praise which he bestowed upon the Metayer System. So far from its being true, as Mill says, that "where partition is a matter of fixed usage, not of varying convention, political economy has no laws of distribution to investigate," we find in India that a landlord intent only upon his own advantage can convert grain rents into a most effective engine of extortion, and though he may keep the word of custom to the ear he breaks it to the spirit. The history of the relations between landlord and tenant in India

during the nineteenth century affords no ground for believing that custom can exercise an effective restraint upon competition.

It is true that in the early days of the nineteenth century, when the first English officers were groping after the principles of land settlement, they were struck by the apparent absence of competition in determining rents, and they often asserted that rents in India were settled by custom, adducing as evidence that they varied little from generation to generation. But the mere fact that rents remained for a long while unaltered is not in itself a proof that rents were, even then, determined by custom. The economic conditions of those days were favourable to low rents and fixity of tenure, and these conditions endured long enough to make English observers believe that they were prescribed by custom. The country in those days was very thinly populated; it had been wasted by civil war, villages had been burned and the cultivators had disappeared, competition was between landlords for tenants, not between tenants for land. The landlord was not in a position to drive a hard bargain; he merely consulted his own interest in letting his land at a low rent and

in leaving the sitting tenant undisturbed. Another circumstance of those times told in favour of the tenant. The country was still in a very disturbed state and the landlord often had occasion to call upon his cultivators to assist him in repelling robbers by force of arms; they were his retainers as well as his tenants, and he could not afford to alienate their goodwill. But with the growth of population and the habit of peace, the conditions favourable to the tenant disappeared. The culturable waste was brought under cultivation with amazing rapidity during the first half of the nineteenth century, and when all the desirable land was occupied competition between tenants began to show, and the tenant who could not pay a good rent was quickly replaced by another. As long ago as 1869 this tendency was noticed by an observant officer.

“The tendency of our rule,” he wrote, “has been greatly to increase the insecurity of the cultivator’s tenure: (1) the agricultural population has increased so that competition for land becomes heavier; (2) the *Zamindar* having no longer occasion to call his cultivators to take up arms for him, enters the market more untrammelled, and accepts the best cultivator

without *arrière pensée* as to whether he is as good at quarter staff or broadsword play as he is at ploughing.”¹

As population continued to increase the landlord's advantage in bargaining became greater, and when, with the assistance of the Civil Courts enforcing an English theory of property in land, he made use of it to the uttermost, he left his tenants little more than a bare living. In the middle of the nineteenth century, when money payments were still uncommon in the village, rents generally took the form of a fixed proportion of the crop; the landlord's share varied from one-third or two-fifths to a half: in the north of the Darbhanga district, where there are special reasons for the continued prevalence of grain rents, the landlord's share is nowadays as much as nine-sixteenths. Although an avaricious landlord was prevented by the force of custom, that is, of public opinion in the village, from raising the proportion paid by an old tenant from a lower to a high figure, he was able when a holding became vacant to fix the incoming tenant's rent at the larger proportion. This explains how different rates of division come

¹ *Revenue Reporter*, vol. iii. No. 1. 1869.

to exist in the same village, and it is found that new cultivators ordinarily pay the higher rates. In India the landlord does not, as in Tuscany, find any of the capital required for cultivation, and therefore his share, when it amounts to half the gross produce, is a very heavy rent. But an avaricious landlord, when he found the tenant incapable of resisting an enhancement of rent, quickly found pretexts for exacting more. He laid on him a number of imposts or cesses in addition to the rent. These were nominally repayments of special expenditure which the landlord declared that he had been forced to incur, but in reality they were devices for screwing out of the tenant the utmost that he could pay. When once these cesses are tolerated, all the advantage derived from estimating the rent by customary shares of produce is lost. What the landlord is not permitted to take by custom he exacts in the name of these additional imposts. This is exactly how the settlement officers describe their operation. Mr Alexander, for instance, wrote from Moradabad:—

“The landlord soon found that it (a particular cess) was an excellent contrivance for bringing

up the rents of the men paying light rates to something near the same standard as those of the other tenants, and accordingly we now find that, except in a few exceptional cases where the tenant is purposely privileged by the landlord's own free-will, most of the light *batai* (division of produce) rates are burdened with a heavy *kharch*" (cess to meet landlord's expenditure).¹

It must not be inferred from this last extract that there is but one cess, and that it is levied upon one pretext. The landlord's ingenuity has proved equal to inventing a multitude of devices for enhancing rent. In Bihar the Settlement Officers have recorded no fewer than thirteen of these cesses. Some of them are for services, more or less fictitious, rendered by the landlord; others are presents on the occasion of a birth or marriage in the landlord's family, and resemble the forced "benevolences" levied by Tudor kings. Individually, the cesses seem small—a handful out of every measure of grain, half an anna out of every rupee—but their cumulative result is to effect a very considerable enhance-

¹ "Settlement Report of the Moradabad District, 1881," by E. Alexander.

ment of the rent, and to render absolutely nugatory the safeguards against competition which custom is supposed to offer.

In modern times money has become relatively plentiful in the village, and rent nowadays is more usually paid in cash than in produce. That this change has been so general may cause some surprise, for there is a superficial fairness in produce rents seeing that the tenant's contribution varies with the success of the harvest. But there are practical difficulties in the division of the grain heap from which both tenant and landlord were anxious to escape. The grain must lie upon the threshing floor until the landlord or his agent can come round to the village and be present at the division; if he has many villages to visit it may take him so long to complete his round that much of the grain is damaged by exposure. Mr Alexander records that he had found

“rice cut in October and still undivided and not even threshed or winnowed in February. It lay rotting while the wretched cultivators were almost starving on grain borrowed at ruinous interest.”¹

¹ “Moradabad Settlement Report,” 1881.

The system is equally injurious to the landlord, for it is practically impossible for him to prevent the tenant from secreting some portion of the crop before division. The system is fairly summarised by the Settlement Officer of North Bihar.¹

“The *batai* method of division is usually very harassing to all concerned. The *raiyat* is worried by the perpetual supervision of the landlord, and unless the latter can realise the grain in person, he is almost certain to be swindled by his agents. It may indeed be said that nobody except the agent class benefits by the *batai*² system.”

The best proof that division of produce was not favourable to the tenant is to be found in the readiness with which he has generally commuted his old shares into money rents. Power of commutation was given him by legislation and he has availed himself of it freely. But this change has not, of course, relieved him from the danger of being rack-rented ; on the contrary,

¹ “Darbhanga Survey and Settlement Report, 1904,” by J. H. Kerr, I.C.S.

² *Batai* means the actual division of the crop either in the field or on the threshing floor. Another variant of grain rents consists in the estimation of the standing crop before it has been cut.

it has placed him, so far as he is not protected by legislation, in much the same position as the unhappy cottier tenant of Ireland described by Mill. The unprotected tenant is liable to be ejected at the end of the agricultural year by notice served through the courts, and the normal procedure of the landlord has been to use this power as a lever for exacting a higher rent. The tenant must either submit to have his rent enhanced or make way for a higher bidder. Thus is started the auction at which peasants are ruined; knowing of no other occupation than cultivation, they bid wildly against each other and undertake to pay more for the holding than it can ever be worth. The advantage in bargaining is now on the side of the landlord, and were he not restrained by law he could, and in many cases would, wring from the tenant all but the barest sustenance.

The measures by which the Indian Government has protected the tenant from exploitation deserve to rank among the most valuable experiments in social legislation of the nineteenth century. This legislation began with an Act in 1859 which declared that undisturbed occupancy during a period of twelve years should confer on the tenant immunity from arbitrary ejection

or enhancement of rent. Other Acts have followed in rapid succession in the different provinces; each succeeding Act has limited more strictly the landlord's right "to do what he likes with his own," and has made it easier for the tenant to acquire the privileged position which the State wished him to hold. The Bengal Rent Act, 1859, the Agra Province Rent Act, 1881, the Central Provinces Tenancy Act, 1883, the Bengal Tenancy Act, 1885, the Oudh Rent Act, 1886, the Central Provinces Tenancy Act, 1898, the Agra Tenancy Act, 1901, the Madras Estates Land Act, 1908, together form a remarkable compendium of practical legislation regulating the relations between landlord and tenant. On the whole they have been remarkably successful; from time to time it has been necessary to amend them in order to checkmate the manoeuvres by which the landlords attempt to evade the law, and their provisions are supplemented by the cadastral surveys and records of rights which have been, or are being, made in all provinces. By means of these all the details regarding each petty holding, its area, landlord, tenant, and the rent payable for it, are each separately recorded. These cadastral operations are lengthy and

expensive, but experience shows that without such a record it is impossible to secure for the tenants the privileges which the Legislature desired them to possess.

One illustration will be sufficient to explain the general tenor of these enactments. In Bengal the Tenancy Law provides that every cultivator who has held any land in a village for twelve years, acquires thereby what is termed "a right of occupancy" in all the land he may hold in the village. This provision is so broad that it is found in practice to confer the occupancy right on more than 80 per cent. of the cultivators. The cultivator who has the occupancy right is protected from arbitrary eviction and from arbitrary enhancement of his rent. The landlord cannot employ the threat of eviction to raise the rent. The law does not absolutely forbid him from raising the rent out of court if he can obtain the consent of his tenant; but it limits the amount of the enhancement in such a case to one-eighth of the existing rent and makes the new rent endure for fifteen years. If the landlord prefers he can apply to the courts to fix a judicial rent. But in that case he must prove that, on one or other specified grounds, the

present rent is inadequate. In effect fixity of tenure and fair rent is secured by the Bengal Rent Act to the great majority of the cultivators. The law does not confer on the cultivator the right of sale, and this fact distinguishes the occupancy right from proprietary right. But the law allows the tenant in any case to establish that by local custom the right of sale exists.

It remains to notice that the residue of the cultivators who have not acquired the occupancy right in their holdings are not left by the law in a wholly unprotected position. The landlord's right to evict them is now hedged about by certain precautions, and he cannot enhance the rent more than once in five years; nor may he confiscate improvements.

If the Tenancy Acts of other provinces are examined they will be found to follow the same general lines as the Bengal Tenancy Act. They aim at giving fixity of tenure, a fair rent, and full compensation for improvements to all classes of tenants who by length of occupation, social position, or local usage seem entitled to substantial protection. Their effect is to give the tenant a quasi-proprietary right in his holding.

The latest and most thorough-going application of this doctrine of dual proprietorship is to be found in the Madras Estates Land Act of 1908, which confers a privileged position upon all tenants irrespective of the duration of their occupancy. A cultivator in Madras, when once admitted to a holding, can claim to have his rent fixed by a rent court and to remain in secure possession as long as he pays the amount which the rent court, and not the proprietor, considers equitable. Only with regard to the cultivation of unreclaimed waste land does the landlord retain the power of making his own terms. So fearful was the Madras Legislature that the landlord should abuse his advantage in bargaining, that the Act specifically provides that no lease or contract which the tenant may have entered into shall debar him from acquiring the privileged position or from having his rent settled by a rent court. In every detail the conclusion to which Mill pointed has been realised; rents in Madras are now fixed by authority, and the cultivator is virtually a peasant proprietor paying a judicial rent for the enjoyment of his land.

CHAPTER IV

INDEBTEDNESS

It might be thought that where the peasant is the proprietor of the land he tills, and where consequently he cannot be rack-rented, he ought to be comparatively prosperous. Unfortunately, this is not the case. Usually he only escapes from the oppression of the landlord to fall into the yet more rapacious clutches of the usurer. All the world over, usury is the bane of the peasant proprietor, and usury appears to assume its most virulent form in the conditions which are characteristic of the old industrial *régime*. This is not hard to explain. Credit is a necessity for the agriculturist. As Sir Frederick Nicholson says :—

“The lesson of universal agrarian history from Rome to Scotland is that an essential of agriculture is credit. Neither the condition

of the country nor the nature of the land tenures nor the position of agriculture, affects the one great fact that agriculturists must borrow.”¹

This necessity presses with special hardness upon the small cultivator. The advances which he needs are too small to interest the great financial houses, and shut up as he is in the narrow circle of the village, he must of necessity have recourse to the one man who is able and willing to give credit; and he, whether Jew or Bania or Gombeen man, will only lend upon terms which eventually ruin the borrower. No writer that I know of has ever defended the usurer or even put forward a plea in mitigation of the sentence which the conscience of mankind has passed upon him. I certainly feel no inclination to undertake the task; but I do sometimes think that the indignation commonly expressed at his usurious rates of interest is scarcely just. The fallacy of percentages attaches to a comparison between the profits on a petty loan of a few shillings and the interest upon the capital lent by a

¹ Report regarding the possibility of introducing Land and Agricultural Banks in the Madras Presidency, 1895, by Sir Frederick A. Nicholson.

large bank. But as to the methods by which the usurer all the world over swells the original debt to a sum which the wretched peasant can never hope to repay, it is impossible to speak too strongly; and for calculating cruelty I know nothing to equal the picture of human infamy which the annals of rural usury reveal. It is in Europe perhaps rather than in India that the darkest colours of the picture may be found. A few extracts from Sir F. Nicholson's report will be sufficient to give some idea of the usury that was rife in Europe before the beneficent work of the Co-operative Credit Banks had mitigated the lot of the peasant proprietor.

“In France the great mass of the agricultural mortgage debt is held by private lenders and probably the whole of the personal credit rural debt. Now the money-lenders are said to be frequently mere usurers. Very often they avail themselves of the misfortune of the borrower; they trade upon his misery and ignorance. From the moral point of view their actions are criminal; they are frequently the ruin of the agriculturist. The details of the transaction are well known. Beginning with a simple note or bond, all the tricks of the trade are

habitually and purposely resorted to, until the patrimony of the peasant is in the usurer's hands. In good seasons, when the debt might be paid off, the debtor is not pressed for payment but rather avoided; in bad seasons or on inconvenient occasions, the money-lender suddenly requires his money, till the wretched peasant signs away his whole property. . . . As for usury in cattle, it is equally common and wasteful to the cultivator. . . . It is common for a man to pay 700 francs for a pair of cattle which would cost only 500 cash. 'Too often,' says one authority, 'the peasant works not for himself but solely for the profit of the usurer who has made him an advance; his cattle are bred and fattened not for himself but for his creditor, so that the French peasant's motto might be Virgil's *Sic vos non vobis fertis aratra, boves.*'

"In Germany the picture is even more detailed and pitiful. The peasant is 'unable to take count of his pecuniary situation'; he keeps no books and cannot judge of the pecuniary result of a transaction, whether of a venture in cultivation or of a loan from the money-lender. The result is that the rural classes fall into the clutches of men who under colour of helping them desire nothing save their ruin for the profit of the lender himself. They are represented as lying in wait for misfortune, and are as eager as

vultures when there is a chance of prey. The story of their action, whether in loans of money, cattle, or goods, is everywhere the same and similar to that of France: temptations, false accounts, the law courts, miserable cattle, and bad goods at maximum prices—all these are general. It was the terrible misery of the peasants as regards usury and the ‘frightful and shameless’ action of the usurers, that led Schulze Delitzsch and Raiffeisen to the idea of popular banks or credit unions, the former in fact regarding the usury question as the most important of the then social problems. The latter, in his first burgomastership, found his charge (Flammersfeld) a scene of poverty and usury. The cultivators seldom had cattle of their own but borrowed them from dealers whose terms they were forced to accept on penalty of losing their cattle, and the dealer was thus able to extort ‘the whole value of the worth of the cattle, while the misery of the peasant increased (yet) more and more. Elsewhere the money-lender was so powerful that the produce was often handed over bodily to him on his own terms; he then — again on his own terms — supplied food and seed, often of bad quality.’

“In Italy usury is still more rife, and the accounts given by Italian, English, and French economists and observers are very harrowing. The pages of De Laveleye and Beauclerk are

open to the English reader; in French and Italian writers most extraordinary usury is mentioned in detail: 5 per cent. per month for usury is common; in one village where Mons. Wollemborg established a credit institution, interest varied from 20 to 200 per cent.; in another, the little bank started by the same philanthropist successfully lent money at 6 per cent. to pay off debts with the usurers on which 30 to 100 per cent. was being paid, the successful action of the bank showing that the peasants were paying usury and not interest. Signor Levi mentions rural usury up to 730 per cent. —*i.e.*, two per cent. per diem. Maize for food to the cash value of 12 francs was in one village supplied to the wretched peasant by the usurer on consideration of his paying 24 francs in three months, or at the rate of 800 per cent., and the maize was often of bad quality, such as causes the Italian scourge known as the ‘pellagra’; in this village the mayor alleged that the peasants ‘often had to pay the fabulous interest of 1,200 per cent.’ Small wonder that, as it is said, a man who has 2,000 lire (£80) of ready money (and a hard heart) can live on its proceeds. In fact, in Italy generally the peasant population and small farmers are the prey ‘of the most frightful and shameless usury,’ to the cash terms of which gratuitous labour (*corvée*) and a dinner on Sundays, presents of fruits and vegetables

and other services are not infrequent, though unexpressed, additions.”¹

The rapacity of the European money-lender, as revealed in these extracts, may perhaps be paralleled, but could hardly be exceeded, by that of the Indian *bania*. Official reports contain many detailed descriptions of his hard-hearted and nefarious dealings. There is nothing to be gained by a lengthy reproduction of them here, for though the cunning calculations by which the peasant is mystified and swindled vary from district to district, they all yield much the same result, which is the reduction of the borrower to a state of practical serfdom. I will make one extract from a report upon the indebtedness of the cultivators in Oudh, compiled in 1868, which is very temperate and judicial in tone. The following is a summary of the reply sent to the Chief Commissioner by Captain E. Thompson. In many cases where the cultivators are most deeply involved, the whole produce is made over to the village money-lender, from whom advances are again taken for seed and food after the adjustment of the

¹ From Sir F. Nicholson's "Report on Land and Agricultural Banks," Appendix I. part I. chap. ii. abridged.

former's year's debt. Superior crops are grown to pay the money-lender and inferior crops for food to be retained (if possible) by the cultivator. Of the various devices by which the rates of interest are raised this single example must suffice. The minimum rate at which the loan is ever made is the *deorah hisab*, i.e., $1\frac{1}{2}$ maund of grain is given to the money-lender for each maund supplied by him, that is, 50 per cent. on the six months or 100 per cent. per annum. But it appears to be quite common for the money-lender at the time of making the loan to reserve to himself the right to be repaid by as much grain as one and a half times the money value of the grain advanced at seed-time will buy at harvest, or on that day in the whole year when the grain is sold at the cheapest price. This device is worked as follows. At seed-time the money-lender advances 25 seers of grain, which at that season are worth one rupee; at harvest time, when the loan is repaid, the price has so fallen that one rupee is the equivalent of 40 seers of grain. In order therefore to liquidate his debt, the cultivator must pay 60 seers of grain, being the amount which can then be purchased for a rupee and a half. He has therefore to pay 140 per cent. on the six months, or

280 per cent. per annum. This is sufficiently startling, but the profits realised are sometimes even higher than this. In Misrik Tahsila advances are frequently made not at the *deorah hisab*, but at the *duna hisab*, which involves the repayment after six months of two maunds of grain for every maund advanced at seed-time. When interest is calculated in this fashion it quickly mounts up to a sum far in excess of the principal, and it is to be feared that a great part of the burden of debt which the Indian cultivator bears has been fastened upon him by such chicanery. The suits that are brought into court reveal this; here is a specific example taken from a District Munsif's Court in 1892. Three brothers required a loan of Rs.85 for a marriage; they owned a small area of poor land. The loan was granted on a simple bond; Rs.4 were deducted as commission and no interest charged for the first six months; if the loan was not repaid within six months, 100 per cent. per annum was to be paid. Of course, as the lender foresaw, the money was not paid, and in three years the borrowers owed Rs.85 as principal and Rs.255 as simple interest. The creditor generously sued for Rs.200 only and costs.¹ It

¹ Sir F. Nicholson's Report, vol. i. p. 233.

is pleasing to record that the rate was treated by the judge as usurious.

“The indebtedness of the ryot is no new thing; Munro in Madras and Elphinstone in Bombay shewed at the beginning of the nineteenth century how utterly sunk in debt the ryot was; nearly all the ryots, said they, depended on the money-lender for maintenance from crop to crop; the whole of the surplus produce went to the money-lender as payment of interest; as for the payment of the principal, it never entered their heads.”¹

Holt Mackenzie, who went out to the East in 1808, gave similar evidence with regard to Northern India. Before the Select Committee on the affairs of the East India Company in 1832 he declared that the borrowing of money by the cultivators of the land was practised very extensively; he might almost say it was universal, and he thought that probably three-quarters or seven-eighths were cultivating with capital borrowed in that way.

The indebtedness of the village is then no new thing, nor is it peculiar to India. It is rather a malady to which the small cultivator

¹ Sir F. Nicholson's Report, vol. i. p. 241.

all the world over is liable. As the indebtedness of the European peasantry, of which some illustrations were given above, continued unrelieved until the latter half of the nineteenth century, it is evident that the mobilisation of capital which formed so marked a feature of the industrial revolution brought no relief to this canker of village life. It is true that efforts were made to bring modern banking facilities within the peasant's reach, but it is doubtful whether the success which attended these efforts did not do him more harm than good. Land banks, mortgage banks, *landschaften*, and *crédit foncier* societies were established, usually with the help of the State in most European countries, and succeeded in making loans to the peasant proprietor who had security to offer; in some countries, notably in Switzerland, where it is said that there is a bank in every village, their success has been such that they have ousted the individual usurer. But the ease and cheapness with which loans can be contracted from the bank have proved fatal temptations to the peasant. He has borrowed recklessly, not in proportion to his need but according to his opportunity, and the consequence is that his capital debt

has been enormously increased. Sir F. Nicholson gives us pages of official statistics to show the alarming increase of indebtedness which has followed upon the establishment of land and mortgage banks in most countries in Europe, and concludes with these pregnant words:—

“Here then may be seen the results, not of usury, but of its equally dangerous opposite, facile credit. Usury provided a moderate amount of capital at burdensome rates; banking credit has substituted, in the same countries, capital at cheap rates, but has increased the mass of the burden. So far from banking even on the most honourable and careful lines—*e.g.*, those of State banks, as in Norway, and savings banks — being found a panacea for rural indebtedness, it has merely increased the gross burden; the specific gravity of the mass may be less, but the volume is more than proportionately greater.”

This, then, is the dilemma: the cultivator must have credit; if it is hard to get he is ruined by the usurer; if it is easy he ruins himself. How is he to escape from being impaled on one horn or the other? For the answer, not only Germany but Europe, and possibly India, is indebted to Raiffeisen. The

story of the co-operative credit movement which the burgomaster of Flammersfeld started first in the Westerwald and which has been taken up in other countries by men who were proud to call themselves his disciples, may be read in the fascinating pages of Mr H. W. Wolff's book.¹ It is indeed a tale of wonders. Not only has the peasant been supplied with all the capital he can profitably employ, but, what is far more important, he has been taught foresight, self-reliance, and energy, which are the only solid foundations of industrial progress. To apply Signor Wollemborg's apt illustration, the golden sunshine of thrift and co-operation, wherever it has cast its rays, has unveiled and brought to view in plenty, unlooked-for virtues which had long lain hidden like flowers shrouded by the night. The idle man becomes industrious, the spendthrift thrifty, the drunkard reforms his ways and becomes sober, the tavern hunter forsakes the inn, the illiterate, though a grandfather, learns to read and write. It sounds like a tale from fairyland. Yet it is all sober fact. We find a Prussian judge officially reporting that litigation, especially in respect of claims for debts.

¹ "People's Banks." Longmans Green & Co., 1893.

has very sensibly diminished in his district—thanks to the establishment of a co-operative bank. We hear a German priest confessing that the new Loan Bank in his parish has done far more to raise the moral tone of his parishioners than all his ministrations. This moral change would make any people prosperous; but the banks have also supplied capital and rendered the transition from poverty to wealth both rapid and easy. They have turned

“homeless labourers into cultivating owners, unemployed journeymen into thriving traders, starving peasants into substantial yeomen, stimulating everywhere, in Monsieur Léon Say’s words, commerce, industry, and *la petite culture*, which under their beneficent shelter develop with increasing energy in those neat prosperous villages, encircled by smiling gardens, orchards, and heavily bearing fields, which spring up, as if by magic, not in the fertile valley of the Rhine only, but in the barren Westerwald on the erst neglected plains of Lombardy and in the wild Rhön mountains.”¹

If co-operative credit could achieve such marvels in Europe, why could it not do the same in India? That was a question which

¹ “People’s Banks.”

began to be asked at the close of the nineteenth century. There were grave doubts, however, whether the conception could be introduced to the people by the agency of Government. The German pioneers had from the first resisted official interference and had even refused official assistance; it was generally believed that only the devotion and zeal of voluntary propagandists could start such a movement. Sir F. Nicholson, whose masterly report did more than anything else to ripen opinion in India, summarised his advice in the two words: "Find Raiffeisen." But though small hopes were entertained from Government action, an Act was passed in 1904 (Act X. of 1904) "to provide for the constitution and control of co-operative credit societies." The Act is principally concerned with defining the conditions in which a co-operative credit society may be constituted and registered, and with making provision for drawing up rules of management; but it contains one section which has had far-reaching effects. The local governments are empowered to appoint registrars of co-operative credit societies in their respective provinces, and they were duly appointed in the autumn of 1904. These registrars have been the missionaries who carried the message

of co-operation to the people; their enthusiasm has proved contagious, and every province of India can now show some centres in which the germ of co-operative banking has taken root, and from which it is beginning to spread to the adjoining areas. Every province appears to be developing a special type of society adapted to its special social structure. In Bengal the societies are all organised on the strictest principles of unlimited liability; there is no share capital and no dividends; the members of the society pledge their joint credit, and on the strength of it obtain capital from depositors which they lend among themselves. Membership is strictly confined to the inhabitants of one village, often of only one hamlet, and it is claimed that the Bengal societies are the "humblest and smallest collections of humanity that have formed themselves into co-operative associations in any part of the world." This is the pure milk of the Raiffeisen word. The Panjab is not quite so severely orthodox; there a system of acquiring shares by instalments has proved very successful, both in providing the bank with capital and enlisting the active co-operation of members in the management. In addition to this the

Panjab societies have attracted considerable sums in deposits from genuine agriculturists, which is at once evidence of the confidence they inspire and the best security for their future success. The feature which distinguishes the movement in the United Provinces is the formation of central banks which obtain loans on comparatively easy terms from private capitalists and large banking corporations; from the capital thus acquired they make loans to affiliated societies in the rural areas of the district. Other provinces have likewise special features of their own. The movement is, of course, quite in its infancy, but it has at least made a very promising start. In about four years from their institution there were in the whole of India 2,008 co-operative credit societies, with 184,897 members and a working capital of nearly 81 lakhs (£540,000). This figure is of course insignificant compared to the total mortgage of the country; Sir F. Nicholson calculated that in the Madras Presidency alone the mortgage debt could not amount to less than 20 crores of rupees (£13,666,666). On the other hand, when one remembers the years of struggle and disappointment through which Raiffeisen and Luzzatti and Sir Horace Plunkett

won their way to eventual success, one cannot but be amazed at the rapidity with which even a beginning has been made in India. Indeed, I sometimes fear that in some districts, at least, success has been too rapid, and that the Indian growth, forced to early maturity by Government favour, may prove less hardy than the German variety which first gathered strength in the bracing air of official neglect and discouragement. But on the whole I take a hopeful and even a sanguine view of the future of agricultural co-operation in India, and chiefly because I see the movement developing the same moral qualities there that distinguish it in Europe. Official reports deal in statistics and generalities from which the illuminating personal instance is usually eliminated, but from the Registrars' Annual Reports may be gleaned a few random sentences which indicate the sincerity of the feeling aroused in villages where the principle of co-operative banking has been properly understood. "The ordinary illiterate agriculturist takes a real and intelligent interest in his bank." "Every adult zamindar is a member." "Many women insist in money presents instead of jewels, and place the proceeds with the Society; in one society in

Lyallpur all the women in the village have joined.”¹

“Many presidents, old and young, who have never kept an account in their lives before their Society was started, now keep accounts of societies with transactions of Rs.5 or Rs.10,000 in the year without a mistake.” Mr Wilberforce² told me of one man of middle age who learned to read and write solely to keep the accounts of the bank of which he was president, and though his first efforts were painfully hard to decipher, he persevered to such good purpose that his books are now the best kept in the Panjab. In another village I was told that the president and officers of the bank have acquired such authority that they settle all quarrels in the village and prevent recourse to the law courts, with the result that litigation, which was the curse of the place, has much decreased. Another

¹ “Perhaps the most creditable society in the whole district (Gurdaspur) is that of Mamrai, a very small and poor Muhammadan village, in which every adult zamindar is a member. Even so the total membership is only thirty-six and their capital Rs.304, which has been augmented by Rs.300 from Government. Most of the members in order to subscribe have been forced to deny themselves everything.”—“Annual Report of the Working of Co-operative Credit Societies in the Panjab, 1907.”

Lately Registrar of Co-operative Credit Societies in the Panjab.

example of the power of moral regeneration wielded by the homely committee of a village bank comes from the United Provinces. Rai Ishwar Sahai Bahadur writes from Fatehpur:—

“I noticed one thing with great pleasure in this society—viz., that the *panches* (*i.e.*, Committee men) enjoined on one Fakhruddin, who was kept under police surveillance owing to his previous convictions, to be of good behaviour for one year, after which he would be enrolled as one of its members. Fakhruddin did so, and he has now become a member on condition of his committing no more offences in future, and I find that he is now quietly carrying on his agricultural pursuits like a good tenant.”¹

There are the true fruits of co-operative credit, and they are of better augury for the future than large financial operations.

If the rural banks acquire a firm hold in India we may be confident that they will lead to other forms of co-operation. Co-operative creameries for the production and sale of *ghi*

¹ Annual Report on the working of the Central Bank, Fatehpur, for the year 1907-8, printed in the Report of the Registrar of Co-operative Credit Societies in the United Provinces for the year 908.

to the towns seem already within the bounds of possibility, and co-operative elevators for the storage and export of grain cannot be very far distant in the new canal colonies of the Panjab; societies for buying grain and agricultural machinery are already being discussed by the Registrars, and will no doubt shortly come into existence. When co-operation has once been adopted for one purpose, it is soon applied to others. This organisation of agricultural society would indicate great economic progress; it would be the introduction into the village of that "better business" which is described as the first step in Mr Roosevelt's policy for the improvement of rural life.¹ But it would be no part of the industrial revolution as we have hitherto understood it in the West. The tendency of that economic evolution, Sir Horace Plunkett thinks, was to benefit the town at the expense of the country; and the modern movement for the organisation of rural business is an effort to correct that tendency and to reduce the excessive preponderance of the towns; it is, in fact, a

¹ The Rural Life policy is summarised in its three objects: Better farming, better business, better living. *Vide* "The Rural Life Problem in the United States," by Sir Horace Plunkett.

counter-revolution, engendered by the neglect and depopulation of the country-side among those nations which have carried the industrial revolution furthest. If this diagnosis is correct, India may some day find matter for congratulation in the fact that her industrial revolution started late, and that she was able to organise rural life before her towns had acquired an excessive preponderance. But these are very hazardous speculations and they are outside the scope of this book, which aims only at showing that India is now following the beaten path of economic development other nations have trodden. The growth of rural co-operation is referred to here only because it is a most hopeful sign of progress; whether it is part of a general forward movement or whether it represents a distinct and separate advance can only be known to the generation which is able to review the economic evolution of India in the twentieth century as a completed whole.

CHAPTER V

FAMINE

DEARTH or famine at irregular intervals was inseparable from the conditions which determined the old economic order. The village was isolated, and therefore entirely dependent for its supplies of food upon the produce of its own fields; as the seasons are nowhere invariably propitious, the harvests occasionally failed, and when they failed the population dependent on them necessarily starved. The industrial revolution has so completely transformed life in Western Europe that we find it hard to realise that such things were, and that our forefathers lived in perpetual fear of famine.¹ It is strange that we should be so oblivious, seeing that one of the most widely read books in England (the Prayer Book) makes conspicuous

¹ Or as Monsieur le Vicomte G. d'Avenel picturesquely puts it :—
“ Le drame du pain au dénouement funèbre ne se joue plus, du moins en France. Il est si oublié qu'il en devient improbable.”

mention of famine. The Prayer Book was compiled when the old structure of society was yet undisturbed, and therefore in the special prayers "upon several occasions," the want of food naturally finds a place among the probable misfortunes of mankind. The first of these special prayers is for rain, "that we may receive the fruits of the earth for our comfort"; the second is for fair weather, "that we may receive the fruits of the earth in due season"; the third and fourth are specially appointed to be said "in the time of Dearth and Famine"; they contain these words:—

"Behold, we beseech thee, the affliction of thy people; and grant that the scarcity and dearth, which we do now most justly suffer for our iniquity, may through thy goodness be mercifully turned into cheapness and plenty."

These four prayers, all composed in the dread of famine, take precedence of the prayers against war and tumults and against plague and sickness, and bring the England of Edward VI. very close to India at the same and later periods.

The danger of famine was at this period just about to pass away from England, or at least to be greatly diminished, by the growth of overseas

navigation. But on the very eve of this great change, in the reign of Elizabeth, there was a dearth which bears the characteristic marks of a typical Indian famine. On 2nd April 1586 the Mayor of Plymouth writes to the Council that

“by reason of the intemperateness of the weather this last summer the price of corn and all grain for the space of 3 months has been very high and daily increases in these western parties, so that the poorer sort of people, being many thousands, are like to perish for want of relief.”¹

There are the familiar outcries against corn dealers and the export of corn, and Her Majesty, “observing the general dearth of corn and other victuals grown partly through the unseasonableness of the year then past and partly through the uncharitable greediness of corn masters, but especially through the unlawful and overmuch transporting of grain into foreign parts,” appointed “well chosen persons at the ports to see that no manner of grain be transported.”²

¹ State Papers, Domestic *Elizabeth*, vol. 133, No. 2. Thomas Ford, Mayor of Plymouth, to the Council.

² John Penkethman, “Authentic Accounts of History of Prices of Wheat, etc.” Also a relation of the most remarkable dearths and famines within the said time (*i.e.*, William the Conqueror to 1745). London, 1765, 4^o.

As in India, the weavers in the cities were among the worst sufferers; Richard Pate writes in April to Lord Burleigh from Gloucester:—

“The number of the poore and neadie people doe daily encrease here especially in great market townes by the present want of worke chieffie in the trade of clothe-making being now at some staie; so that one half of the poore are not employed and most of the rest by the wante of wolle this next sheare-tyme like to plaie.”¹

Hungry mobs looted the grain which was being carried away from their town. The Justices of the Peace of Gloucestershire report to the Council on 30th April 1586:—

“A week ago a bark laden with malt out of Gloucestershire to be transported into Wales being stayed for the tide at Fromylode Co. Gloucester was assaulted and rifled by 5 to 600 people. In spite of the efforts of the justices of the peace these disorderly doings continued until the Sheriff of Gloucester arrested two of them. On being brought before Henry Poole, one of the Justices, they declared on being charged with disorderly conduct that they were driven thereto by the misery and necessity they

¹ S. P. Dom. *Elizabeth*, vol. 188, No. 18.

were in for want of corn and other victuals for their relief, 'for they are not so sett on worke as heretofore they have been by the Clothe-men and that so great was their necessitye as that dyvers of them did justifie, they were dryven to feed their children wth cattes dogges and rootes of nettles with such other like things as they could come by.'"¹

But even at this period England could obtain some relief by the import of corn from overseas, and the growth of her shipping in the next century placed her in a position of permanent security.

It is to a continental country like France that we must look for an exact parallel to India. France continued to suffer from recurring famines until the close of the eighteenth century. I have only space to quote at length one document, which will, however, be enough to show any reader familiar with the Indian literature on the subject, how identical the French *disette* or dearth was in all respects with an Indian famine. The document which follows is a translation of a letter written in 1662 by the Mother Superior of the Carmelite

¹ S. P. Dom. *Elizabeth*, vol. 188, No. 47.

Convent in Blois to a lady in Paris; the original may be found in the life of Colbert.¹

“We know truly that the present dearth has reduced so many people to poverty that there are estimated to be 3,000 in the town and the suburbs. All the streets echo with there pitiable cries; their lamentations pierce our walls and their sufferings our hearts in pity thereat.

“Wheat, by Paris weight, has been sold here at 200 crowns² the muid (412 gallons) and every day it grows dearer.

“The poor in the fields seem like corpses dug up from their graves; the carrion upon which wolves feed is now the meat of Christians; for when they light upon dead horses, donkeys or other beasts, they glut themselves with this putrid flesh which more often makes them die than live.

“The poor of the town feed like pigs upon a little bran soaked in cold water, and would think themselves happy to have their fill of it. They pick up in the gutters and in the mud slices of half-rotten cabbage; in order to cook the same with their bran they ask

¹ “Histoire de la Vie et de l'Administration de Colbert,” par Pierre Clément, Paris, 1846, chap. iii. p. 118.

² 200 crowns=650 livres, the muid=18 hectolitres 73 litres. I estimate the price to have been between 3 and 4 annas the seer, between 4 and 5 seers the rupee.

importunately for the brine in which cod is pickled, but it is refused them.

“Many honourable families hunger and are ashamed to tell it. Two young ladies whose wants were not known were found eating bran soaked in milk; the person who found them was so much moved thereat that she fell weeping with them.

“Consider, I pray you, some of the sad results of this poverty which may be said to be general. A man after having been several days without eating met a charitable labourer who gave him to eat; but as his stomach was very weak, he died suddenly.

“Another man stabbed himself yesterday with a knife in despair because he was dying of hunger.

“A woman was found starved to death with her child at her breast; the child was sucking after the mother was dead and died also three hours afterwards.

“A miserable man, three of whose children asked him for bread with tears in their eyes, killed them all three and afterwards killed himself. The judges ordered his body to be dragged on a hurdle.

“Another, whose wife had taken from him a little bread which he was saving for himself, struck her six times with an axe and killed her where she stood, and then fled.

“ In short, not a day passes but some wretches are found dead of hunger in their houses, in the streets, and in the fields; our miller has just met one who was being buried by the wayside.

“ In brief, wretchedness and dearth are become so universal that we are assured that in the neighbouring country half the peasants are reduced to eating grass, and that there are few roads which are not fringed with dead bodies.

“ The missionary who for ten years has ministered to the poor of the distressed frontier tracts, on his way from Sedan, has passed Donchery, Mézières, Charleville, Rocroy, and Maubert, whence he writes that he has never seen poverty such as that of those places and of the villages in the neighbourhood. This is the news he sends us:—

“ “ I have found everywhere a large number of poor families who are dying of hunger. If a few of them eat once a day a little bran bread, others go for three or four days without eating a single morsel. They have sold even their clothes and are lying on a little straw without a blanket. They are the best people in the world, and so ashamed of their pitiable state that they hide their faces when one goes to see them.

“ “ I found a family at Charleville composed of eight persons who passed four days without

eating. The poor woman tried to sell her husband's last shirt and was not able to get five sous for it. All the town knows it. My God, what agony!

“I have found other families of six persons who only eat one sou's worth of bread. Think of it, one small loaf divided into six parts. Must not these people die?

“The most part are ill, withered and stricken down by famine and affliction; those who are less resigned to the Will of God almost lose their senses in despair. If they go forth to beg, they find the other villages as poor as themselves. The labourers have not even oats to feed themselves or other grain to sow, and whichever way they turn, all of them see nothing but desolation and death.”¹

It might be thought that in making an appeal for charity the Mother Superior painted the distress about her in unduly sombre colours; but there is no justification for this opinion;

¹ “Histoire de la Vie et de l'Administration de Colbert,” par Pierre Clément, Paris, 1846, chap. iii. p. 118.

In another work (“La Police sous Louis XIV.”) the same author has given some details of the famines of 1684, 1693-94, and 1709 in France, and of the disastrous measures then taken by the Government against dealers in grain. “Le fantôme des accapareurs se dressait de nouveau et troublait toutes les têtes. Depuis le commencement de l'année (1693) de nombreux arrêts avaient été rendus contre les marchands de blés, moyen infaillible pour empêcher que le commerce vint en aide aux populations.” (Chap. x., *Les Disettes*.)

the official accounts of famines at this period present the same characteristics. The Governor of the Province of the Dauphiné, in an official letter to Colbert in 1675, wrote as follows:—

“SIR,—I can no longer delay in letting you know the poverty to which I see this province reduced; commerce here is absolutely at a standstill, and from all quarters people come to me to let the king know how impossible it is for them to pay the taxes. It is asserted—and I speak to you because I am well informed thereon—that the greater part of the peasants of the said province have lived during the winter only upon bread made from acorns and roots, and that at the present time they may be seen eating the grass of the fields and the bark of the trees. I feel myself constrained to tell you the actual state of things, that such orders may afterwards be passed as it shall please His Majesty to give, and I take advantage of this opportunity to assure you that nobody in the world is more truly than I, sir, your very humble and very obedient servant,

“The Duc de LESDIGUIÈRES.

“GRENOBLE, 29 *May* 1675.”

The famine of 1662, which occurred at the beginning of his administration, made a deep

impression upon Colbert, and is said to have been the cause of the disastrous measures which he took to regulate the trade in corn; in fourteen years he issued no fewer than twenty-nine edicts on this subject, regulating, limiting, and, in eight edicts, absolutely prohibiting the export of grain to foreign countries. He succeeded, indeed, in keeping the price of corn low, but with the ruinous result of so discouraging the French farmers that the cultivation of corn was much reduced and famine became chronic; his biographer, after a detailed examination of this policy, is compelled to admit that

“he brought matters to such a pass that in a country which can support nearly 40,000,000 inhabitants, a portion of the 20,000,000 or 22,000,000 which then peopled it were compelled every third year to live on grass, roots, and the bark of trees, or to die of hunger.”¹

¹ “Histoire de la Vie et de l'Administration de Colbert,” p. 274. Colbert's edicts are a very laboratory for those who desire a practical demonstration of the effect of regulating and prohibiting foreign trade in corn. It is sometimes suggested at the present day in India that the Government should prohibit the export of food grains. The reason for not adopting that policy is that grain is grown in the assurance that the price will be kept up by the foreign demand. If export were forbidden the price would fall, growers of grain would be disappointed, and would in future put their land under other crops;

An unfailing symptom of the conditions which produce famine may be found in differences in the price of bread or food grains at places not far remote from each other; this symptom may be observed in France throughout the seventeenth century. The Vicomte d'Avenel records some striking discrepancies of price in Louis XIV.'s reign. Wheat was sold, in 1670, 31 francs at Paris and 7 francs at Orleans; in 1686 it fell to the merely nominal price of 2 francs at Rouen, whereas it remained at 17 francs at Uzès. Under Louis XV. the differences were not so great; the value in one city was not more than threefold that in another, and several times under Fleury's excellent administration prices were uniform all over the kingdom. With the development of the roads under Louis XVI. the tendency towards uniformity

in times of dearth the quantity available to feed the people would be much diminished. A variant of this proposal is to prohibit export only when the Indian harvests fail. This is unnecessary, as export stops automatically when prices rise in India, and the surplus which is normally grown for export becomes available to feed the people of India. Colbert tried this and many other variants of the policy of restriction of exports, and the plight to which he brought France is faithfully rendered by his biographer. The conclusion of the whole matter to which one is irresistibly driven by a study of Colbert's administration is this: any enactment which artificially lowers the *price* reduces the *quantity* of grain raised in the country.

became more marked; the greatest difference of price recorded was not more than 100 per cent.¹

The reason why France continued to suffer from famine for almost two centuries later than England was pointed out by Charles d'Avenant in words which cannot be bettered and which might have been applied, *mutatis mutandis*, with even greater force to India.

“If,” he wrote in 1699, “France had had as many people as the land will feed in times of common plenty, half of them must have perished during their late dearths for want of bread, because they have a vast inland country and only the out parts upon such an emergency can be relieved by the assistance of other places. And we see that anciently, before there was much trade, there were frequent famines in the world, because one part could not help another, for which reason the northern nations heretofore when their people multiplied too fast did disburden themselves by sending out numerous colonies to seek out new dwellings in apprehension that by a scarce year they might be destroyed at home; but England (with any moderate care) is not liable to such fear, though

¹ “Paysans et Ouvriers depuis sept cents ans,” Vicomte G. d'Avenel. Armand Colin et Cie., Paris, 1899.

its present numbers should even be doubled, because we have everywhere the sea to friend, and in such extremity our wants may be supplied from other nations."¹

If such was the case in France, it is not surprising that India, furnished by nature with far fewer facilities for transport, should have suffered from famine from time immemorial. It is sometimes asserted that famines in the past were less severe and less frequent than in the present. Such an assertion proceeds from sheer ignorance; there is not a tittle of historical evidence to support it. Famines are recorded from the very dawn of India history. In the Jataka Books they are referred to as one of the incidents of life in those days.² If we hear but little of famines in India for the first thousand years of the Christian era, that is because we know very little of India in those days. Continuous history, and with it information about famines, begins with the advent of the Moslem chroniclers, and though, like political

¹ Charles D'Avenant. *An Essay upon the probable methods of making a people gainers in the Balance of Trade Works*, vol. ii. p. 222.

² *E.g.* "Now at that time there was a drought in the Kingdom of Kalinga; the corn grew not, there was a great famine, and men, being unable to live, used robbery."—*Jataka Book*, xxii., No. 547.

historians all the world over, they appear to have thought the sufferings of "the poorer sorte of people" below the dignity of the historic Muse, they do condescend to mention the great cataclysmic famines which from time to time overwhelmed India. Such a famine occurred in the golden prime of Shahjehan and is recorded in the Emperor's Chronicles by Abdul Hamid Lahori; coarse and gruesome details are not to the taste of the courtly historian, and rather than give us an unvarnished picture of the misery of those days, he turns to favours and to prettiness. This is how he describes what certainly was a terrible calamity:—

“During the past year (1629) no rain had fallen in the territories of the Balaghat, and the drought had been especially severe about Daulatabad. In the present year (A.D. 1630) also there had been a deficiency in the bordering countries, and a total want in the Dekhan and Guzarat. The inhabitants of these two countries were reduced to the direst extremity. Life was offered for a loaf (Jane ba nane), but none would buy; rank was to be sold for a cake, but none cared for it; the ever bounteous hand was now stretched out to beg for food, and the feet which had always trodden the way

of contentment walked about only in search of sustenance. For a long time dogs' flesh was sold for goats' flesh, and the pounded bones of the dead were mixed with flour and sold. When this was discovered, the sellers were brought to justice. Destitution at length reached such a pitch that men began to devour each other, and the flesh of a son was preferred to his love. The numbers of the dying caused obstructions in the roads, and every man whose dire sufferings did not terminate in death, and who retained the power to move, wandered off to the towns and villages of other countries. Those lands which had been famous for their fertility and plenty now retained no trace of productiveness. By order of the Emperor, soup kitchens were established in various parts of the kingdom, and a sum of Rs.5,000 was distributed every Monday. Large revenue remissions were also made."¹

The blunt English sailor, Peter Mundy, who travelled from Surat to Agra and back while this famine was raging, used no art in telling of what he saw upon his way, and we get from his narrative a more vivid, though

¹ *Badshah Nama* of Abdul Hamid Lahori, from "Historical and Descriptive Sketch of the Nizam's Dominions," by Syed Hossain Bilgrami and C. Willmott, vol. ii. pp. 16 and 17.

repulsive, picture of the horrors of famine in the seventeenth century.

“PETER MUNDY’S ACCOUNT¹ OF THE
FAMINE OF 1630.

[Rawl. MS. A. 315.]

“PASSAGES &CA. ATT SURATT.

“About the tyme of our departure (from Surat, in Nov. 1630) for Agra, began a Famine, the Secondary cause thereof the want of rayne this last Season, and much feared will prove very greivous, poore people begininge to die for want of Sustenance. God shewe mercie on all men.

“A JOURNEY FROM SURATT TO AGRA.

“14th November 1630.—Wee came to Kirka, a poore towne halfe burnt upp, and almost voyd of Inhabitants, the most part fledd, the rest dead, lyeing in the Streets and on the Tombes.

“16th November 1630.—In this place (Dayta) the men and women were driven to that extremitie for want of food, that they sold their Children for 12d., 6d. and (?) pence a peace.

¹ Peter Mundy, who has chronicled his voyages and adventures from 1608 - 67 (see Hak. Soc. Pubns., 2nd Series, vol. xvii.), served the East India Company from 1628-34 under the President of Surat.

Yea, and to give them away to any that would take them, with manye thancks, that soe they might preserve them alive, although they were sure never to see them againe.

“*18th November 1630.*—From Baadoore wee came to Netherbarre (12 Course), a greate place, where wee were much troubled to finde a roome convenient for our little Tent, by reason of the number of dead bodyes that lay scattered in and about the Towne. Att last wee tooke upp our lodginge among the Tombes. . . . Heere wee stayed all day (19th November), where Mirza supplied himselfe with some needfull provision for his Companye, there being to be had heere, although att unreasonable rates. All this day our noses were infested and our bodyes almost infected with a most noysome smell, which, after search, wee found to come from a great pitt, wherein were throwne 30 or 40 persons, men, weomen and children, old and younge confusedly tumbled in together, without order or Coveringe, a miserable and most undecent spectacle. Noe lesse lamentable was it to see the poore people scrapeinge on the dunghille for food, yea, in the very excrements of beasts, as horses, oxen, &c. belonginge to Travellers, for graine that perchance might come undisgested from them, and that with great greedienesse and strife among themselves, generallie looking like anatomies, with life, but scarse strength enough

to remove themselves from under mens feete, many of them expireing, others newe dead. This was their estate in every Streete and Corner, And from Suratt to this place (in a manner) all the high way was strowed with dead people, Our noses never free of the Stinck of them, especially about Townes, for they dragg them out by the heeles starke naked, of all ages and sexes, till they are out of the gates, and there they are lefte, soe that the way is halfe barred upp. Thus it was for the most part hitherto.

“*23th November 1630.*—From Tanckwarro wee came to Talnear (10 Course). . . . Wee passed through a Towne called Firpoore, about which all the high waies were soe full of dead bodies, that wee could hardly passe from them without treadinge on or goeinge over some, and from thence to Talnear, all the way strowed with them.

“*28th November 1630.*—From thence (Beawly) wee came to Navee (8 Course). . . . Heere in the middle of the Bararee lay people now dead and others breathing their last with the food almost att their mouthes, yett dyed for want of it, they not having wherewith to buy, nor the other so much pittie to spare them any without money. (There being no course taken in this Country to remedie this great evill, the rich and stronge engrossinge and takeinge perforce all to themselves.)

“ A JOURNEY FROM AGRA TO SURATT.

“ *25th May 1633.*—Att my arrivall heere there were but few liveing of those I left heere att my departure, the rest dead with the Mortall Sicknesse that immediatly followed the famine. . . . The like tyme was never seene in India, There being scarce one Man in all Suratt-howse able to write or sett his hand to Paper (some-tymes). Theis were only by sicknesse, but the Famine it selfe swept away more then a Million of the Comon or poorer sort. After which, the mortallitie succeedinge did as much more amongst rich and poore. Weomen were seene to rost their Children, Men travelling in the way were laid hold of to bee eaten, and haveing Cutt away much of his flesh, hee was glad if hee could gett away and save his life, others killed outright and devoured. A man or woman noe sooner dead but they were Cutt in peeces to be eaten. Thus much by Comon report (because I was not present), but att my returne I found the Countrie in a manner made desolate, scarce one left of ten, as by instance of the weavers, for whereas formerly they had brought them 30, 40, or 50 Corge a day, they could now scarce gett 20 or 30 peeces; this in Baroach. Att Suratt none att all and in Brodra noe Factorie att present. In my opinion it will hardly recover

it(s) former estate in fifteen, nay, in twenty yeares; I meane Guzaratt.”¹

Many references to “this direfull tyme of dearth” may be found in the letters sent from the English factories in India at this period.² There is one sentence in those letters which corroborates the testimony of both previous witnesses, to the effect that the people were driven to cannibalism by the awful famine of 1630. It is as follows:—

“Mesulipatam and Armagore was sorely opprest with famine, the liveinge eating up the dead and men scarsly durst travel in the country for fear they should be killed and eaten.”

These three quotations may serve to give some idea of the severity of famines in bygone times. The evidence for their frequency is even stronger, but it is impossible within any reasonable limits to give even a portion of that which is at my disposal. I will attempt, however, to

¹ I am indebted to the courtesy of Sir R. Temple for giving me permission to publish this extract from “The Travels of Peter Mundy in Europe and Asia, 1608-67,” edited by Lieut.-Col. Sir Richard Carnac Temple, Bart., C.I.E. The first volume issued by the Hakluyt Society (Cambridge, 1907) has already appeared; vol. ii., from which the above extract is taken, is in preparation.

² “The English Factories in India, 1630-33,” by W. Foster.

convey some idea of the state of India in those days by confining my attention to one portion of India for a very limited period; the area chosen is the Madras and Bombay Presidencies, and the period the fifty years from the death of Aurazeb to the battle of Plassey (1707-57). The bulk of the evidence comes from the letters written by the agents of the East India Company to their Directors in London; having to render an account of their expenditure and make local investments in piece goods they were obliged to refer to famines which put them to unprofitable expenditure on servants, etc., and killed the weavers from whom they bought cloth.

1709-11. Scarcity about Fort St George.—

“The countreys about them to the Southward have had a famine of grain.” (“Coast and Bay Abstracts,” vol. i. p. 224.) “Inhabitants peaceable and quiet, though have suffered by dearness and scarcity of grain. Have run great risks to get it in by sea and lost several laden vessels, but don't repine because has saved many lives.”

1717-18. Fort St George.—“Trade at a full stand as to woollen goods etc. for the inland country. The famine has almost dis-

peopled the adjacent country.” (“Coast and Bay Abstracts,” vol. ii. pp. 201-202). This famine extended to Ahmadabad and Surat, where it was known as the Chowtro. The price of bajra and mutt there was 4 annas per seer. Numbers of people died of hunger and sickness, and children were sold for 1 or 2 rupees each. According to other reports the price of bajri rose to 2 seers per rupee. (*Vide* “Report of the Past Famines in the Bombay Presidency,” Lieut.-Col. A. T. Etheridge.)

1722. Bombay Castle.—Great drought “not known to such a degree in the memory of man.” Supplies very scarce. Warehouse keeper ordered to supply the market from time to time in order to prevent its (*i.e.*, Batty) rising to an immoderate price. (“Bombay Public Consultations Range 341,” vol. v.)

1728 - 30. Fort St George. — “A severe famine and the rise of cotton in the country made it impossible to keep strictly to the Court’s Orders of Investment. The famine so severe, in some villages where used to be 300 Weavers now scarce 30.” (“Coast and Bay Abstracts,” vol. iii. p. 55.) Bombay.—Drought appears to have extended over five years, 1726-31. In Bombay general

letter dated 27th January 1730, this entry:
 “The great mortality among the Weavers detrimental to the Investment. Of 1800 Weavers about Cotata 1200 dyed.”
 (“Bombay Public Consultations Range 341,” vol. vi.)

1731 - 32. Fort St George. — “Are under apprehensions of a grievous famine. . . . the country round about burnt for want of rain.” (“Coast and Bay Abstracts,” vol. iii. p. 162.)

1733-34. Fort St George.—Some washers were driven by famine to stealing cloth: “necessity led ’em to such a course. The famine said to have been made worse by Engrossers.” (*Ib.* vol. iv. p. 108.)

1737. Fort St George.—“The countrey is reduced to a miserable condition by the prodigious Drought, impossible to enumerate its melancholy effects. . . . By Accounts from Arcot 2 to 300 dead bodies were carried out in a day. The same dreadful scene was in other towns. Many villages deserted, no grain for inhabitants, no herbage or Fodder for cattle. Of these last 19 in 20 perished. . . . The famine so terrible men fed upon things nature most abhors.” (*Ib.* vol. iv. p. 216.)

1747. Bombay.—“Letter from Surat advises

‘that it is well known the Calamities in and about Surat were so great that people perished daily for want, others sold their children to support themselves.’” (“Bombay Public Consultations Range 341,” vol. xv.) This was the terrible Tulotero which spread from Ahmadabad to Aurangabad and other parts of the Dekhan. According to the Padshahee Drivan “few such famines can have occurred in which not a drop of rain fell nor did a blade of grass grow. A rupee would purchase only 3 or 4 seers of grain. The people died in numbers as also did the cattle. The people in the villages became restless like fish for want of water, left their homes and wandered from jungle to jungle.”

1752. Fort St George, “for preventing Calamitys of inhabitants, ordered no grain to be carried out of the Bounds.”

Thus in the space of less than fifty years there appear to have been in the neighbourhood of Madras and Bombay alone not less than eight famines. What other famines occurred in the same period in Bengal, in the Central, the United Provinces, and the Panjab we have but few means of ascertaining, but modern

experience tells us that all these areas except the first are specially liable to drought. I will not attempt to trace the subsequent history of Indian famines in detail, because it is better known and easily accessible. With the assumption of territorial sovereignty by the East India Company information becomes more precise. To name only the great cataclysmic famines, we have a fairly full account of the great Bengal famine of 1769-70, in which, according to the most trustworthy estimates, one-third of the population died; of the terrible Chalisa which, in 1783, devastated the region between Bihar and Jammu and transformed the face of the country like a great convulsion of nature; of the Doji Bara (or Skull Famine) which in 1790-92 littered Maharashtra with human skulls. At the opening of the nineteenth century India was still without means of transporting grain, and the most astonishing variations of price are recorded from adjacent areas, an unfailing symptom of famine conditions. The year 1837 was marked by a terrible famine which was for long an era from which the rural population of the Upper Ganges valley reckoned time. But it was the last of the great desolating famines. Even then the possibility of

transporting corn was beginning to be discerned. The Commissioner of Agra wrote in 1838:—

“Had a good and open communication existed for wheeled carriages between Agra and Malwah the grain, which is abundant there and is selling at 50 and even 60 seers the rupee, might have reached its market.”

For lack of transport it was selling at Agra at five times that price. But the problem to be solved had been seen and clearly stated, it was so to develop means of communication as to make it possible to bring food from the regions of plenty into the famine area. To describe how that problem was solved, without “the sea to friend,” would be to write the history of roads and railways in India. By the famine of 1861 there were already a few faint streaks of dawn. The Famine Commissioner, Baird Smith, reported that

“the whole line of the Ganges from Allahabad to Farruckabad was crossed by scores of streams of food, not large individually, but in the aggregate swelling to a great amount and pouring the surplus stores of favourably situated tracts in Oudh into the Doab.”

This was the first fruit of Lord Dalhousie’s

policy of road-building; it was still far from completion. Baird Smith goes on to say:—

“So miserable, however, are the means of inter-communication in many of these districts of supply that, while in one bazaar famine prices of 4 rupees per maund might be ruling, in another, not thirty miles off, the price would be R.1·8 for the same quantity; yet no flow from the full to the exhausted market could take place, because roads were not in existence, and means of carriage unknown.”

From this time onward to the close of the century the development of means of communication was steadily pursued. Metalled roads began to link village with village and town with town; then came the railways, linking province with province and the inland districts with the seaports; first long trunk lines penetrated into the land-locked areas, and by the close of the century the face of the country was covered by a network of railways over which grain was quickly moved by private tenders in response to even a small rise in price. A glance at “Prices and Wages in India,” which records the prices of foodstuffs in all the principal districts, will show that

the whole of Northern India is now one market for grain; even after a disastrous failure of the harvest in a particular area local prices do not arise above the general level. This was clearly shown in the drought of 1896. Sir Antony (now Lord) MacDonnell pointed out that

“prices were practically the same in a district in which the crops had failed as in a district which had enjoyed a bumper harvest. Indeed the rate of a particular grain was sometimes quoted higher in a well-stocked Meerut district¹ than in a market of afflicted Bundelkhand.”

Roads and railways have done for the provinces of India what the sea did for England. They have rescued them from absolute dependence upon the local harvest; they have overcome the immobility of grain; and they have lifted from the village the never-absent apprehension of death by starvation. Even though the surrounding fields are burnt up and desolate, there is nowadays food to be had, and it can be bought in abundance by those who have the means to do so. The term “famine,” which is still applied in India to a harvest failure, is

¹ This part of the country is protected from drought by canals.

now an anachronism and a misnomer. The true meaning of the word "famine" (according to the Oxford Dictionary) is "extreme and general scarcity of food"; this phenomenon has entirely passed away. Widespread death from starvation which the word may be held to connote has also ceased. Death from starvation is indeed extremely rare even in those tracts which are officially described as famine-stricken. "Famine" now means a prolonged period of unemployment, accompanied by dear food, and this is undoubtedly an economic calamity which inflicts great hardship upon the working classes in India as it would in any country. The hardship is reflected in an enhanced death-rate; the degree of enhancement is determined by the efficiency of the measures for the relief of the unemployed. In the United Provinces, where means of communication are highly developed, "famine" relief operations have been brought to a high degree of perfection. During the famine of 1896-97 the death-rate in the provinces for the twelve months of famine prevalence (October to September) was 36·30 per mille, as against 33·04, the average for the decennial period previous to 1896. That is to say, that the

mortality during the famine period was 3·26 per mille above the normal; it was actually below the provincial mortality during the same period in 1893-94, when the death-rate, owing to fever, rose to 38·05 per mille.

The relief operations in 1907-08 in the United Provinces yielded much the same results. Taking the eleven months from September to July, the provincial death-rate was 36·47, as compared with the normal for that period 32·59; the excess due to famine and the sequelæ of famine was 3·88 per mille in eleven months. The mortality in the later famine is higher than that recorded in the corresponding period of 1896-97, but the official report on the relief operations points out that the provincial death-rate had been rising:—

“The consequence of a series of bad years and high prices is reflected in the death-rates of the last three years (1905 to 1907), which, excluding plague, were 35·95, 37·61, and 36·56 for the ten years from 1892 to 1901. The increase in the mortality of the present year is therefore slight as compared with the mortality of the years immediately preceding.”¹

¹ Resolution on the Administration of Famine Relief in the United Provinces, 1908.

In the following year (1908-09) there was a local harvest failure in the district of Darbhanga. In this part of India the death-rate is usually high owing to malaria, but in this year the drought which caused the famine brought about a great reduction in malaria fever, and the consequence was that during the eleven months of famine prevalence, the death-rate was 30·43 per mille, against an average for the same period in the previous five years of 40·46, so that in this particular instance the "famine" death-rate was almost 10 per mille below the average death-rate.¹

The suspension of the agricultural industry is still a great economic catastrophe which sends up the death-rate, but it is no longer what it still was even in the first half of the nineteenth century, a desolating calamity which swept away whole villages, depopulated large provinces, and transformed the face of the country. That is some measure of the change which railways have wrought; the old economic order has been profoundly modified by them,

¹ One word of caution should be added. The Vital Statistics of India are admittedly unsatisfactory; they are believed to understate both the birth-rate and the death-rate; as, however, the error is probably constant, a comparison of the figures in different years may be made with some degree of confidence.

and the disappearance of famine is but one aspect of the industrial transition which is transforming India.

The failure of the harvest, like any other economic disaster, of course entails great suffering; but it is suffering of the kind which all modern communities have to bear; it is suffering of the kind which we witness during a great strike or such as that which Lancashire experienced during the cotton famine of the early 'sixties. When the monsoon rains fail, Nature pronounces a lock-out in the agricultural industry; that throws 70 per cent. of the population out of work for almost a year; if the area of Nature's lock-out is large, unemployment and destitution on a huge scale inevitably follow, and the State has to open relief works. But the relief of the unemployed is one of the modernest of administrative problems; there is nothing archaic or old-world or peculiarly Indian about it; it is a problem which every government in the twentieth century is compelled to deal with. In some respects India's practice is ahead of England's. Every Indian province has its Famine Code, in which the measures of relief to be taken when a crisis of unemployment shall occur are carefully prescribed beforehand. In England the

want of this precaution has constantly proved an insuperable obstacle to adequate relief. In another respect India has made a practical beginning where England, distracted by opposite counsels, has as yet done nothing. In 1908 the governments of the United Provinces and the Central Provinces made some valuable experiments in the "prophylactic treatment of famine"; the State advanced money lavishly to keep the people at work upon their own industries and prevent them from becoming destitute; the experiment was abundantly justified, and though the opening of costly relief works was not altogether avoided, it was considerably delayed to the advantage both of the State and the people. We in England have been advised to attack the causes of destitution instead of withholding public assistance until destitution is declared, but it is still uncertain whether we shall follow the advice of the majority of the Poor Law Commission or hearken to the voice of Mr and Mrs Sidney Webb. These two instances seem to show that an expert bureaucracy is peculiarly capable of dealing with a grave economic disorder, like unemployment, because it can lay its plans for the future undistracted by popular advice.

CHAPTER VI

THE WEAVER

IN the old economic order all production is on a small scale; in England before the industrial revolution there was the yeoman who farmed his own small plot of land, and parallel to him there was the small "manufacturer," who bought his wool himself and wove it into cloth on his own loom.¹ In India production on a small scale is still the rule; there is the cultivator, who with the help of his family works a small holding, and the weaver, his counterpart in industrial production, whose output of cloth is limited to the amount that he and his family can weave upon his single loom. So little has the old organisation been impaired that hand-loom weaving is

¹ Monsieur Mantoux often draws attention to this parallel between the yeoman "et le petit fabricant indépendant, qui devait disparaître presque en même temps. Tous deux faisaient partie intégrante d'un même régime social, fondé sur la co-existence et l'alliance étroite de la petite production agricole et de la petite production industrielle." —"La Révolution Industrielle au XVIII^e Siècle," p. 128.

still an important industry in India. More than five million persons are supported by the proceeds of weaving cotton on hand-loom; the weaving of wool, silk, flax, etc., supports another half million. Cotton is the natural clothing of the people of India as wool was of the inhabitants of Northern Europe, and cotton-weaving plays the same part in the Indian industrial system as the woollen industry, the pride of our ancestors, did in England. Both industries were conducted on much the same lines. In the West Riding of Yorkshire, where the English woollen industry longest retained the characteristics of the old order,

“the greater part of the domestic clothiers lived in villages and detached houses covering the whole face of a district of from 20 to 30 miles in length and from 12 to 15 in breadth; a great proportion of the ‘manufacturers’ occupied a little land from 3 to 12 or 15 acres each; they often likewise kept a horse to carry their cloth to the fulling mill and the market.”¹

The Select Committee which examined into the state of the woollen manufactures in 1806

¹ “Report from the Select Committee appointed to consider the State of the Woollen Manufacture in England, 1806.”

were very favourably impressed by the domestic system, which is thus described in their Report:—

“In the Domestic system, which is that of Yorkshire, the manufacture is conducted by a multitude of Master Manufacturers, generally possessing a very small and scarcely ever any great extent of capital. They buy the Wool of the Dealer, and, in their houses, assisted by their wives and children, and from two or three to six or seven journeymen, they dye it (when dyeing is necessary), and through all the different stages work it up into undressed cloth.”

Even in Yorkshire, however, some of the characteristics of modern methods of production were beginning to be discernible.

“Various processes, however,” the Report continues, “the chief of which were formerly done by hand, under the manufacturer’s own roof, are now performed by machinery, in public Mills, as they are called, which work for hire. There are several such Mills near every manufacturing village, so that the Manufacturer with little inconvenience or loss of time carries thither his goods and fetches them back again when the process is completed. When it has attained to the state of undressed cloth, he carries it on the market day to a Public Hall or Market where

the Merchants repair to purchase. Several thousands of these small Master Manufacturers attend the Market of Leeds where there are three Halls for the exposure and sale of their Cloths; and there are similar Halls . . . at Bradford, Halifax, and Huddersfield.”¹

Well disposed as the Select Committee were to the little manufacturer, they recognised that he was not in as good a position as the large capitalist to advance the industry; firstly, because he could not afford to try experiments, and secondly, because he could not “learn by personal inspection the wants and habits, the arts, manufactures, and improvements of foreign countries.”

The woollen industry was spread over the whole surface of England, so that there were few neighbourhoods in which it was entirely unrepresented; but wherever a considerable trade in cloth was developed, there was a tendency for the manufacture to be localised in weaving areas, such, for instance, as the area round Norwich or the chain of towns and villages in the south-west, where, according to Defoe, the whole country was “busyed in the

¹ “Report from the Select Committee appointed to consider the State of the Woollen Manufacture in England, 1806.”

Broadcloth manufacture." Even in his day, the industry in the south-west was beginning to assume capitalistic forms. After giving a list of the principal clothing towns in this part of the country—most of which are now insignificant villages—he goes on to say:—

“These towns as they stand thin and at considerable Distances from one another . . . are interspersed with a very great number of Villages, Hamlets and scattered houses; in which, generally speaking, the spinning work of all the Manufacture is performed by the poor People; the Master Clothiers, who generally live in the greater Towns, sending out the Wool weekly to their Houses, by their Servants and Horses; and at the same time bringing back the Yarn that they have spun and finished, which is then fitted for the Loom.”

These master clothiers are not small manufacturers as in the domestic system of the West Riding, but men of considerable capital. Defoe was told at Bradford (in Wiltshire),

“that it was no extraordinary Thing to have Clothiers worth from £10,000 to £30,000 a Man and many of the Gentry in those Counties have

been originally raised from this truly noble manufacture."

This quasi-capitalist system continued even after large factories had been started, and both methods of production are described by the Select Committee of 1806 and contrasted with the domestic system. According to their report, the master clothier of the west of England bought his wool,

"after which, in all the different processes through which it passed, he was under the necessity of employing as many distinct classes of persons; sometimes working in their own houses, sometimes in those of the Master Clothier, but none of them going out of their own proper line.

"In the Factory system," continues the Report of 1806, "the Master Manufacturers who sometimes possess a very great capital, employ in one or more buildings or Factories under their own or their Superintendant's inspection, a number of workmen, more or few, according to the extent of their trade. . . . But both in the system of the West of England Clothier and in the Factory system, the work generally speaking is done by persons who have no property in the goods they manufacture, for in this consists the essential

distinction between the two former systems and the Domestic.”

In the course of a generation the new methods of production gained ground at the expense of the old, and the distress among the hand-loom weavers became so acute that a Royal Commission was appointed in 1837 to enquire into the possibility of remedial measures. The Commissioners then found that “insufficient wages and excessive toil” was the general lot of the hand - weaver; he had fallen from the position of a small master to that of a wage-earner.

“At first, indeed,” they report, “the weaver was both capitalist and labourer, as the linen weaver still is in many parts of the North of Ireland. He and his family there cultivate the flax, heckle it, spin it into yarn, weave it and sell the webb in the linen market. This almost total absence of the division of labour is however confined to the material and the district we have mentioned. In every other branch of weaving, even in Ireland, and in every branch in Great Britain (with the unimportant exception of a small class of weavers called customer weavers in the North of England and in Scotland) the material is supplied by the capitalist or manufacturer

(generally called the putter-out of work) to the weaver, and he is paid on returning a given quantity of finished cloth. In most cases the loom belongs to the weaver or is hired by him, who, assisted by his wife and children, performs himself both the weaving and the operations which are subsidiary to it."

The earnings of a family were miserably low; for the benefit of the Commissioners, a manufacturer in Yorkshire extracted from his books a statement of average earnings which was submitted to a committee of weavers, who pronounced it a fair average statement of the weaver's earnings when fully employed; the statement gives 7s. 11d. a week as the net wages of a weaver, his wife, and two children. On the other hand, "the weavers in factories average nearly double what the weavers make on the same cotton fabrics when woven at home," according to the evidence of one witness from the south of Scotland. The Commissioners themselves had no doubt that power-weaving was gradually supplanting hand-weaving, and of the future of the weaver they have no hope. Their recommendation with regard to the crape-weavers, who suffered exceptionally from irregularity of employment, is short and grim.

“ All that can be done for them is to enlighten them as to their real situation, warn them to flee from the trade and to beware of leading their children into it as they would beware of the commission of the most atrocious of crimes.”

No sooner had the hand-weaver been exterminated in England than it became the fashion to idealise him and call the time in which he lived “the golden age of industry.” It was said that the workman in the country or in a small town led a simpler and healthier life than in our vast cities; the domestic surroundings in which he lived were favourable to morality; he worked at his own home at his own time in proportion to his strength; he lived a peaceful existence among his own belongings. “He was an honourable member of society, a good father, a good husband, and a good son.” “On ne saurait prononcer un éloge funèbre d’un ton plus ému et plus édifiant,” as Monsieur Mantoux remarks.

As a matter of fact, there is but little evidence to justify such a eulogy. The cottage or hovel in which the weaver lived was small and insanitary; the windows were few and narrow; there was little furniture in the house,

and no ornaments; the principal, and often the only room, was used both as a kitchen and a workroom; in it was placed the loom of the weaver.¹ This description applies to the West Riding of Yorkshire, where the weavers continued longest to combine the functions of labourer and capitalist, and where, accordingly, the most pleasing feature of the old economic order survived longest. In other parts of England the two functions had long been practically distinct. This was an inevitable result of the growth of foreign trade; the small weaver became dependent upon the cloth merchant for the sale of his handiwork; he soon came to make for his orders; in times of stress he had recourse to the merchant for a loan, and pledged his loom as security for the debt; when he ceased to purchase his own material and to own the instruments of production, he was almost as far from having any property in the goods he produced as the modern factory hand; the forms of the older organisation were for a time preserved, but the essentials of what is sometimes called capitalism had been reached; in most respects the weaver, nominally a master, but practically dependent

¹ Mantoux, *op. cit.*

upon the merchant or putter out, was worse off than the factory hand upon regular wages. The Royal Commissioners of 1836 reported that employers distributed their work to as many weavers as possible, so as to keep them on their books, with the necessary consequence that all of them were under-employed. The same desire to keep available as large a supply of labour as could possibly be employed in good times has proved in our own day a potent cause of destitution among dock labourers and domestic workers of clothing.

In this brief account of the English handicraftsman the reader familiar with India will detect many points of resemblance between West and East. Cotton hand-weavers are to be found in almost all parts of the country, but whenever the industry has developed beyond the immediate requirements of a small neighbourhood, it has tended to localisation in weaving villages grouped in one area. Before the import of machine-made yarn the thread was usually spun by the women; spinning is said to be the only industry in India which is performed by persons of all castes, and concerning which there seem to be no caste restrictions.

“Women of the richer classes spin for amusement and for household use, often meeting and spinning together on the English ‘working party’ principle; while those of the poorer classes spin both for home consumption and for sale.”¹

In recent years, owing to the competition of power-spinning, the real wages of hand-spinners have fallen very low, and nowadays “only feeble women and those who cannot come out of *parda* still practise hand-spinning.”² The thread so spun is taken to the village weaver, in areas which have not specialised in this industry, and is by him woven into cloth, usually at the rate of one penny for two pounds of yarn (an anna a seer). In all ages and in all countries the spinning of thread has been the woman’s function, and almost as generally the task of weaving has been allotted to the man. According to Muhammadan tradition this immemorial division of labour dates from our first parents, for after the Fall and the expulsion from Paradise, Gabriel taught Eve to

¹ “A Monograph on Cotton Fabrics produced in the North Western Provinces and Oudh,” by C. A. Silberrad, 1898.

² “Notes on the Industries of the United Provinces,” by A. C. Chatterjee, I.C.S.

spin and Adam to weave. It would certainly not be difficult to believe that the loom now in use in India dates from those primitive days ; it is singularly well-suited to secure the perpetuation of the primeval curse that man should earn his bread by the sweat of his brow. Upon this clumsy instrument the weaver, assisted by his wife and children, produces not only the rough cloth which is worn by the villagers as their workaday attire, but also those fine muslins which were once the envy and admiration of Europe. In some districts he has succeeded in maintaining his independence, and retains most of the characteristics of the little master manufacturer. Thus in the neighbourhood of Moradabad, where it is surmised the number of Julaha (or Muhammadan weaver) families well exceeds one thousand,

“there are very few men who employ other Julahas on daily or contract wages. Nearly every man works on his own. I could not find any system of division of labour except that some men devote themselves entirely to the art of preparing healds, and passing the warp through the healds preparatory to weaving. They have acquired considerable practice and command good wages. The weaver purchases

yarn from the dealer, usually on credit, but the dealer has nothing to do with the woven cloth which the weaver must sell on his own responsibility. He does so either at the market held every evening, or to dealers who come from outside.”¹

The district of Faizabad in Oudh is another area in which cotton hand-weaving has been localised in what Defoe called “a throng of villages.” The population of the thriving town of Tanda, for instance, is almost entirely made up of weavers, dyers, and cloth printers.

“A small quantity of *jumdani* (a fine hand-woven figured and damasked fabric) is still woven, especially as borders for caps, but with the change in the sartorian taste of the Indian upper classes, the demand for this fabric is steadily falling. The insertion of the pattern has to be done simultaneously with the weaving, as in weaving carpets. Two and sometimes three weavers work at the loom, one of them being the chief. The pattern is woven entirely from memory. The finished product is sold locally to dealers, and in some cases the weaver

¹ “Notes on the Industries of the United Provinces,” A. C. Chatterjee, I.C.S., 1908.

himself takes his ware round to the taluqdars (landed gentry) of the province. I saw counts up to one hundred and eighty used for *jamdani*. . . . In the town of Tanda there is a large proportion of master weavers who employ a number of journeymen weavers earning from three to five rupees a month and one meal. This is practically a system of small factories, but the owners have no education, enterprise, or breadth of conception. Some weavers in Tanda have specialised in the art of sizing, and it is the practice of the master weavers to get the sizing done entirely by these men. Hank - sizing is not practised at all. The factory owners, as well as the small weavers, purchase yarn from the dealers in the town. Up to twenties the yarn comes from the Cawnpore Mills. Between twenties and forties, the Ahmadabad Mills are drawn from. Above forties English yarn is used. Dyed yarn is purchased to a large extent because the inferior chemical dyes used for local dyeing yield very unsatisfactory results. Sales are made retail at the weekly market or in bulk to the cloth dealers, who are not always the same as the yarn dealers. The cloth dealers have either branch shops or correspondents at Cawnpore, Benares, and places outside the province. There is no advertising, commercial travelling, or market pushing in any form."

Much the same conditions are reproduced in other centres in Oudh.

“In the Partabgarh District, the best known centre of the hand-weaving industry is Derhwa, a village about twenty miles from headquarters. About six to seven hundred weaver families are settled in a group of villages there. . . . A large quantity of ordinary coarse cloth (ten and sixteen counts) is woven. . . . The weavers of the locality possess much skill, but at present suffer from the drawback of a long distance from the railway which enhances the cost of yarn and prevents anything but a very local sale out of the out-turn.”¹

This last sentence is illuminating, as it throws a flood of light upon the cramped conditions in which the industry must have been carried on when roads, not to speak of railways, did not exist.

As in the west of England the weaver became dependent upon the master clothier, so in some districts of India the weaver has passed from the position of a small master manufacturer to complete subjection to the dealer.

¹ “Notes on the Industries of the United Provinces,” A. C. Chatterjee, I.C.S., 1908.

The Registrar of Co-operative Credit Societies, who is a specialist on questions of usury, cited the following example from the silk-weaving industry in his report for 1906-7 :—

“The dealer’s trade is on this wise. The dealer makes an advance of silk thread, *kala-batun* (gold thread) and other raw materials to a weaver, charging his account with the retail price of the material plus any cash advance that may from time to time be given. When the material is ready for the market, it is brought to the dealer, who stores it for sale. When it is sold (usually some months after sale) a settlement of accounts is made, the weaver’s account being credited with the amount for which the dealer alleges the cloth to have been sold (an amount frequently very much below the actual price received, if common rumour may be trusted) and debited with the advances made, plus one anna in the rupee per mensem (*i.e.* 75 per cent.) as interest plus commission on the sale at one anna per rupee, plus in many cases a fixed charge of one anna per rupee for temple offerings. It is obvious that this system must very rapidly result in the weaver becoming hopelessly indebted to the dealer. Once he gets into debt he never again escapes. The account runs on from month to month, year to year,

and generation to generation, and the weaver is practically a slave.”¹

The subjection of the weaver to a usurious dealer is not, of course, universal, and here and there examples may still be found of weavers who are not only skilled master manufacturers taking a pride in their “mystery,” but genuine artists. Such a one is the Muhammadan weaver Madár Bakhsh of Jais in the Rae Bareli district.

“He makes caps and handkerchiefs with various patterns and words in Arabic or other languages interwoven. Some of his caps fetch as much as Rs.10 and some handkerchiefs (*rumal*) as much as Rs.100. A *rumal* which sells at Rs.50 will take $3\frac{1}{2}$ to 4 months to weave. Madár Bakhsh estimates his earnings at Rs.15 to Rs.20 per month, and is the holder of several medals and certificates, among which may be mentioned one of the Indian and Colonial Exhibition of 1886, and one of Calcutta Exhibition of 1883-84. The origin of Madár Bakhsh’s craft is thus related in the district report. His family has been resident in Jais for some eight hundred years. Towards the end of last (*i.e.* eighteenth) century one of the

¹ Co-operative Credit Societies in the United Provinces. Report of the Registrar for 1906-7.

family, Bhika, being ambitious to excel his fellow *julahas* (Muhammadan weavers), after several attempts hit upon the idea of interweaving words, flowers, etc., into fine muslin. He eventually prepared a *kurta* (a kind of coat) and *pagri* (turban) of the finest materials, both entirely in one piece and elaborately interwoven with the names and praises of the then reigning Nawab of Oudh, Asaf-ud-daulah, to whom he presented them, receiving in return a large grant of land in perpetuity. This is still held by his direct descendants, who have quite abandoned weaving, the craft having passed to a younger branch, of which Madár Bakhsh is the sole working member. After having been rewarded by Asaf-ud-daulah, Bhika made another similar *kurta* and *pagri* for the Nizam of Haiderabad, Sikandar Jah, and presented them to him. In return he received an order for Rs.5000 on the treasury at Nagar Karnul. This he encashed and remitting part home by *hundis* (banker's letters of exchange), took the remainder with him, but on the way was strangled and plundered by 'Thags.'¹

Ten years after Mr Silberrad's report was published, Madár Bakhsh, the descendant of the murdered Bhika, figures again in an official

¹ "A Monograph on Cotton Fabrics," C. A. Silberrad, I.C.S., 1898.

report as the sole surviving exponent of a decaying art:—

“In the town of Jais,” wrote Mr Chatterjee in 1908, “an old man (Madár Bakhsh) has a considerable skill in weaving figures, letters and flowers in fine muslin. He has his loom up three flights of stairs in a mud-built house and jealously guards his art from being copied even by his own relations. With the sole exception of this man, no one in the Rae Bareli district now weaves *jamdani* or fine muslin.”

In recent years attempts, inspired by Mr E. B. Havell and Mr A. Chatterton, have been made to improve hand-weaving in India. Many people think that a place may be found for the hand-weaver in the new industrial conditions which are likely soon to prevail in India. It is not a law of nature that steam-power should supersede hand - power; it has been the consequence, it is argued, only of the special conditions of Europe. Where the power required is not in excess of that which can be supplied by the human body, it is a calculation of the relative cost which decides whether steam-power or hand-power shall be applied to manufacture. Hand-power is expensive in the west

of Europe, and manufacturers are therefore constantly striving to replace it by steam-power, but in India at the present day hand-power is cheap, and to the employer generally more economical than steam-power.

“The competition of machinery has now existed for nearly three-quarters of a century, and the immense financial and scientific resources of the power-loom have been freely utilised to kill the hand industry, but careful observers are of the opinion that the condition of the weaver is no worse than it was twenty years ago.”¹

The one incontrovertible fact is that hand-weaving, though languishing, does still exist and support about 6,000,000 persons; it is not unreasonable to suppose that if the efficiency of the hand-weaver could be increased, he would be in a position to compete successfully with the power-loom. Now what the unwearied labours of Mr Chatterton, ably seconded by a band of philanthropic Indian gentlemen in Madras, have demonstrated beyond the possibility of doubt, is that the efficiency of the Indian hand-weaver can be increased and his

¹ Mr A. A. Chatterjee, *op. cit.*

output multiplied two, three, and even four-fold. The Indian loom, as has already been said, is a very clumsy instrument, and it is susceptible of great improvement by the adoption of certain mechanical devices which have been in use in Europe for over a century and a half; of these devices the most important is the fly-shuttle. Several improved hand-looms have in recent years been imported, both from Europe and Japan, and worked in India. In order to decide which of these was the best, and to demonstrate the superiority of the improved, over the Indian, loom, a weaving competition was held in Madras in March 1908, in which weavers from all parts of India were invited to take part. Prizes were offered to the weaver who would weave on a loom of his own choosing the largest quantity of cloth of the best quality in two periods of five consecutive days each. Some very interesting results were obtained and described by Mr Chatterton in the *Indian Trade Journal* of 9th April 1908:—

“First as to the ratio of the work done on fly-shuttle looms and on country looms. The latter did not attempt the finest work, but on

those of 60^s count the best result was 17·5 picks per minute on cloth 43 inches wide, against 69·5 picks per minute on cloth 51·5 inches wide; that is, more than four times as much cloth was turned out (on the fly-shuttle loom). With warps of 20^s count and 1 yard wide the ratio is 2·5, whilst on the Madras handkerchiefs it is only 1·35. In this case it is probable that the low ratio is partly due to the superior skill of the weavers on the country looms, but for the most part the frequent changing of shuttles discounts the advantage of the better method of picking. The wider the cloth the greater is the gain due to the use of the fly-shuttle; and in very wide work, such as turban cloths, which are 9 feet wide, one weaver can easily work a fly-shuttle loom much faster than two men on a country loom. The results of the competition establish the fact that there is a great but variable advantage in the use of the fly-shuttle. Roughly, it may be taken as three to one."

The looms which did the best all-round work in the competition were those manufactured in Madras on the lines of the old English handloom, which, apart from the use of the fly-shuttle, differs from the country loom in the fact that it is self-contained in a frame and

that the warp is beamed, and this process of beaming involves a considerable amount of extra labour preliminary to weaving.

The difficulty of bringing these improved looms into general use forcibly illustrates one great disadvantage of the old industrial organisation. The fly-shuttle has been in use for a considerable time in the Basel Mission weaving establishments and a few other mission schools in Madras, but the use of it never seems to have spread outside, and the great difficulty which Mr Chatterton and his Indian friends are now finding is in diffusing a knowledge of the valuable experience they have gained with regard to all the processes of hand-weaving. As the Select Committee found in England in 1806, the weaver cannot afford to try experiments, and cannot "learn by personal inspection . . . the arts, manufactures, and improvements of foreign countries." As in England a century ago, so in India to-day, the weaver is usually illiterate. In Europe an enormous amount of technical information is diffused by means of journals devoted to particular industries; new processes and new products are thus constantly brought to the notice of persons capable of making a practical

use of this knowledge. In India information cannot be diffused in this way, and the adoption of new methods is in consequence incredibly slow. Another disadvantage inherent in the old economic structure is, that the weaver is out of touch with his customers:—

“It is true that there is not very much change in the fashions of the coarser stuffs, for which a local market is usually available and sufficient, but the reverse is the case with the finer fabrics. It is impossible for a weaver in Tanda to gauge the changing requirements of his customers in Nepal, Haiderabad, Bombay, or Calcutta. During the last three or four years there has been a very great demand for hand-made cloth in Bengal. The weavers in this province, with a few exceptions, are not aware of this fact, and do not know exactly what style of cloths is wanted.”¹

This is really astonishing evidence. Probably every well-informed man in Manchester had heard of the boycott in Calcutta, and yet the very men in India who were meant to benefit by it and who lived comparatively near at hand, had never heard of it!

¹ Mr A. C. Chatterjee, “Notes on the Industries of the United Provinces.”

It is because of the insuperable difficulty of modernising the independent weaver, who as long as he remains the *entrepreneur* will not move out of the deep rut in which his ancestors have travelled, that those who believe in the future of hand-loom weaving advocate the erection of small factories. In such a case a private capitalist, preferably English educated, would install a certain number of improved looms in premises of his own, engage weavers at a monthly salary of about five or six rupees a head, instruct them in working the improved looms, and set them to work upon the kind of fabric for which he had discovered there was a demand. There are plenty of young men who leave College annually who could raise the small capital required; they have the energy and push necessary to beat out a new path to fortune, and they would realise the importance of advertising and getting into touch with customers; it is very probable that they would soon purchase one of the so-called "Domestic" looms which can be run with small-power engines.

"Thirty or forty such looms," says Mr Chatterton, "can be driven by a small oil

engine costing not more than Rs.4 or Rs.5 a day to run, and there is not the least doubt that the output of these looms will be three or four times as much as when worked by hand-power.”

Such a factory would, of course, be in all economic essentials a modern capitalistic concern although making use of hand-power where European factory owners would employ steam. The fact that such factories have been started, as, for instance, by Mr Theagoraya Chetti at Tondiarpet, is another proof that India's industrial transition has already begun.

CHAPTER VII

INDUSTRIAL TRANSITION

THE distinguishing characteristics of the old industrial order, which I have attempted to describe in the preceding chapters, may be summarised as follows:—

- (1) The village or small locality was isolated and, in consequence, economically independent or self-sufficient.
- (2) The division of labour was imperfect.
- (3) The capital employed in each unit of industry was small.
- (4) The direction of industry was in the hands of small craftsmen, each of whom worked independently on his own account.

These characteristics all had their origin in, and were perpetuated by, the want of transport and facilities of communication. Men lived in agricultural villages in order to be near the

source of their food-supplies; the village provided for all its own wants because it could not supply them by importation; as the village offered only a small market for any one class of goods, production could not be specialised, and a minute division of labour was impossible; as the only available market was a small one, there was no advantage in production on a large scale, and therefore no occasion for the employment of large amounts of capital even had it existed in the village; and lastly, each craftsman worked independently on his own account, because the local demand was not more than sufficient to keep in employment one or two representatives of each industry.

The evolution which had been slowly maturing in Western Europe, and which culminated in the industrial revolution, brought into being another type of society in which the conditions of industry were almost completely reversed. The characteristics of the modern organisation are:—

- (1) The interdependence of all parts of the industrial world upon each other.
- (2) The concentration of labour in factories and manufacturing centres where it is minutely divided and graded.

- (3) The aggregation of capital in large amounts so as to secure the advantage of production on a large scale.
- (4) The direction of industry by expert managers.

Familiar as are the conditions of modern industry to most of us, it is worth while to pause and consider them briefly so as to realise how great is the contrast they present to the older conditions which they have superseded.

(1) The interdependence of all parts of the modern industrial world which I contrast with the isolation of the village in old days is a precedent condition to production on a large scale. Lancashire could not spin and weave for half the world unless the needs of her own towns were supplied by other towns and other countries; she could not herself consume a tithe of the cotton goods she produces, nor could the surrounding counties produce anything like all the food, raw material, and luxuries which her towns consume. Not only is Lancashire dependent for her very existence, like an army in the field, upon keeping her communications open, but further, her prosperity may at any time be jeopardised by circumstances over

which she can have no control. A war in the United States or a corner in the American cotton market may stop half her mills from running for want of raw material. A disturbance in Asia may close her best markets and prevent her from selling half her products. A European war may curtail her supplies of food and dislocate her finance; her industrial efficiency depends upon a delicate system of exchanges which an accident may upset. The archaic village, more secure upon a lower plane, is undisturbed by wars and failures of credit in another hemisphere. This industrial evolution is an illustration, as Professor Marshall has pointed out, of the fundamental unity between the laws of nature in the physical and the moral world:—

“This central unity,” he says, “is set forth in the general rule that the development of the organism, whether social or physical, involves a greater subdivision of functions between its separate parts, on the one hand, and on the other, a more intimate connection between them.”

The industrial world is in process of becoming one organism, the various parts of which have

specialised functions; but the more integrated is the organism, the more must it suffer from an accident to one of the parts.

(2) The concentration of labour in factories and in large industrial cities gives this enormous advantage in production that the division of labour can be carried as far as it is profitable. The most highly-skilled workmen can be kept solely at the most skilled work, and every man can be employed upon such work as his training and abilities fit him to do best.

(3) Thirdly, the concentration of capital in the large concern is in striking contrast with the want of capital which always afflicts the small man who is both labourer and capitalist. The big concern is able to employ the latest and most efficient machinery and to try costly experiments; its output is so large that it can afford specialised machinery which could not be kept in constant use by a small firm; it possesses an advantage in buying on a larger scale, it is able to economise material, to make use of and to sell bye-products. It adapts its productive capacity to the law of Increasing Returns.

(4) And fourthly, by reason of all the foregoing characteristics of the large industry, the expert business manager emerges. He studies

new methods of production, he applies the discoveries of science to his own business, he decides that the processes which are most efficient and economical shall be employed; he drills and directs a disciplined host of workmen; he studies the markets and varies his production according to the changing wants of his customers both at home and abroad; if he is in the textile industry he knows what years the Indian astrologers declare auspicious for marriage as well as he knows the fashions which the Paris dressmakers are to impose in the coming season. By reports of agents, commercial travellers, consular reports, and trade journals he keeps himself informed of all that concerns his trade in every part of the world.

What a contrast between this organisation and the archaic methods of production! How immeasurably is the one superior to the other in efficiency! As organisations for the production of wealth there can be no comparison between the two. From its inherent superiority the modern organisation must prevail over the old as certainly as a well-drilled, well-equipped, and well-officered army must prevail over a mob of peasants armed only with scythes and pitchforks. Whatever may be its defects on the moral side,

whatever the dangers of physical deterioration which may be inseparable from it, the modern industrial organisation is at present unrivalled in its capacity to provide the necessities and comforts of life, and in countries where it is fully developed the wealth per head of the population is incomparably greater than where the more archaic organisation prevails.

A considerable mass of highly conjectural statistics has been collected at different times in the last quarter of a century to show that the wealth per head in England is much greater than the wealth per head in India. Surely it was not necessary to appeal to induction to prove this. One might as well attempt to prove by induction the truth of Swift's saying that eleven men fully armed are more than a match for one man in his shirt. If knowledge is superior to ignorance, if steam-power is greater than hand-power, if the intelligent adaptation of means to ends is preferable to a primitive rule-of-thumb, then it is certain that England must every year produce more wealth per head than India. As long as the two countries continue to be organised industrially upon such different models, England will be a rich country, and India, by comparison, a poor country. But in truth the comparison

ought never to be made, for nothing but confusion of thought arises from the comparison of incomparables. An economic comparison of England, Germany, and the United States may be very suggestive; Mr Shadwell's "Industrial Efficiency" is sufficient evidence of that. India might profitably be compared with many countries of Eastern Europe which are still at the same stage of industrial evolution. But the comparison of India with England, countries at totally different stages, is not only valueless but misleading. The comparison of like with like would, perhaps, result in showing that Germany is still a poor country compared with England, but I am not at all sure that it would show that India is a poor country when compared with countries which, like most of the Balkan States, still retain the essential characteristics of the old organisation. The difficulty of such a comparison lies in the fact that the industrial revolution is in full swing everywhere, and when once the transformation has begun to take place it proceeds with such rapidity that the country which has the start of only one generation is far the wealthier. For India this is a most encouraging fact. She has, as much as any country, facilities for acquiring the modern

industrial equipment; if she decides to do so she may perhaps reach the modern stage of economic evolution in a couple of generations. The industrial revolution occupied a considerable time in England, because England was the pioneer, and had, by experiments and mistakes, to stumble on to the right path; but the way is now clear to all who would follow; railways may be built, capital borrowed, machinery set running, business managers engaged to train workmen and organise industry in a comparatively short while. For India, the example of Prussia is full of encouragement. Less than a hundred years ago Prussia, in some of her provinces at least, was still in the early or Indian stage of economic evolution. The following description by an Englishman in 1826 not only shows that her industrial organisation was in all important respects the same as that which I have described as characteristic of India, but also that she was then a far poorer country than India is now; nobody, I think, would paint the industrial condition of India in such gloomy colours as Mr Jacob used in describing the Maritime Provinces of Prussia: ¹—

¹ *Vide* Mr Jacob's "Report on the Trade in Corn and on the Agriculture of the North of Europe." 21st February 1826.

“The working class,” he says, “of the inhabitants, amounting in the Maritime Provinces to upwards of a million, including both those who work for daily wages and those who cultivate their own little portions of land, cannot be compared to any class of persons in England. This large description of inhabitants live in dwellings provided with few conveniences on the lowest and coarsest of food, potatoes or rye or buckwheat the chief and frequently their only food ; linen from flax of their own growth and wool spun by their own hands, both coarse and both worn as long as they will hold together, furnish their dress, whilst an earthen pot that will bear fire forms one of the most valuable articles of their furniture.

“As fuel is abundant they are warmed more by the close stoves than by the shelter of their mud or wooden houses, covered by shingles which admit the piercing cold of the severe weather through abundant crevices. If they have bees or a plot of chicory, their produce serves as a substitute for sugar and coffee ; but too often these must be sent to market to raise the scanty pittance which the tax-gatherer demands. Though the price of whisky is low, yet the farm produce is lower still, and neither that nor the bad beer which is commonly brewed can be afforded by the peasantry as a usual drink.

“ In common seasons this description of people suffer much in the winter, but in times of scarcity, such as followed the disastrous harvest of 1816, their distress and their subsequent mortality is largely increased. . . .

“ The only kind of goods that I heard of calculated for distant markets are some made of the native coarse wool, dyed deep blue, trials to introduce which have been made in England. These are made by some small farmers, who were employed in the summer on the land. They are made out of 18 lbs. or 20 lbs. of wool worth about sixpence per pound. The spinning is performed by the females of the family, whilst the father weaves them. It employs him three days to weave a piece which is about 16 yards in length and 42 inches wide. The value of his day's work was stated to be ninepence, thus making that part of the labour which he executed to be 2s. 3d. The fulling is performed at a public mill and the finishing and dyeing is executed at Berlin by persons who send their agents to the farmhouses to collect the cloths in their rough state. I was told that these kind of cloths might be afforded in London at little more than 2s. per yard, and were calculated for negro clothing.”

If such was the condition eighty-four years ago of a state which is at present so modern,

industrially, as Prussia, India may hope to accomplish her economic transformation in no longer time. Of the industrial equipment of modern society she already possesses the nucleus in her railways. There are at present over 30,000 miles of line open for traffic in India, over which heavy goods can be transported as quickly and as cheaply as in any country in the world. These railways have already broken down the isolation of the village. Rural society is no longer solely dependent upon its own resources for supplying its needs. The dread of starvation consequent upon the failure of the local harvest has been completely and finally dispelled. So also has the opposite fear of being ruined by a too abundant harvest. Secure of access to the large European markets, the cultivator no longer dreads, like the farmer "who hanged himself in the expectation of plenty,"¹ that a bumper harvest will so glut his petty local mart that his produce cannot be sold at all; however the wage-earners in towns may complain, the cultivators or farmers (and half the population of India belongs to this class) unquestionably gain by getting a good price for their produce. The wheat, rice, seeds, and

¹ *Vide* The porter's soliloquy in *Macbeth*.

butter of the rural districts now go to the seaports and large towns, and money flows into the village in return. Being now comparatively plentiful and having also become universally acceptable, money is superseding grain as a medium of exchange. Grain rents are now less common than money rents, and even the field labourers are now paid at least in part in money. The substitution of money for barter and payment in kind (which is known to economists as *adartation*) is a familiar symptom of the transition from the old to the new economic order; it is now in full operation in India, and affords the most probable explanation of the enormous demand for currency which has been so marked a feature of the monetary history of India in the last half-century. It is true that there are but few indications that the organisation of the agricultural industry has been sensibly modified; cultivation is still carried on by small men working with their own capital and themselves supplying the labour needed upon their farms. Here and there, in the Panjab, for example, there are a few instances of the introduction of agricultural machinery, and with the spread of co-operation this tendency may be strengthened; but in the

main the characteristic features of small cultivation remain. This is not surprising; in no country in the world has it been found possible to carry the division of labour very far in agriculture; and until this can be done there is but little advantage in production on a large scale. There is certainly as yet no clear indication that in the economically most advanced societies the large farm will prevail and the small farm disappear; on the contrary, the growth of agricultural co-operation in the last quarter of a century appears to have improved the prospects of the small farmer, for it has enabled him to overcome his most serious disadvantage, the want of capital, and he retains, unimpaired and possibly strengthened, his immense superiority as a worker over the hired labourer. It is therefore quite conceivable that agriculture may continue as at present in the hands of peasant proprietors and small farmers when India's economic transformation is accomplished. It is certainly in industry rather than in agriculture that we should look for the most marked indications of the coming change.

Such indications are not hard to find in modern India; some of them are pleasant to contemplate, others are the reverse. A great

economic transformation cannot take place without great and undeserved suffering to many individuals; the new cannot supersede the old without competition, and competition, which is only a special form of the struggle for existence, means defeat and extermination for those who are not the fittest to survive. We therefore see at the present day in India both the emergence of new industries, organised on modern capitalist lines, and at the same time the decay of certain of the old handicrafts, of which the most important is weaving.

The persons who were the quickest to avail themselves of improved means of transport were the traders or dealers in goods. From very early times commerce, *i.e.*, the collection of goods and the subsequent distribution of them by sale, had reached in India a greater degree of development than manufacture; the use of *hundis*, or bills drawn by one banker on another, implies considerable organisation for trade purposes, and we know that money was by this means transferred from one account to another all over India. The great commercial houses dealt in wares as well as in money; at Benares and Mirzapore, for instance, there were dealers who collected goods and

distributed them over a considerable area. Writing in 1794, Jonathan Duncan said of Mirzapore :—

“The Natives of the Deccan, the Western Provinces and Nepaul resort here in search of European commodities, and the rich manufacturers of Bengal and the merchants of the latter for the purchase of cotton and shawl goods and other valuable articles, the produce of the inland provinces of Hindostan.”

If the distribution of European goods engaged dealers in 1794, it is not surprising that when steam-power had reduced the price of English cloth and piece goods, and when steamships had brought them cheaply and expeditiously to India, the distributing firms extended their business in this direction, and that goods of European manufacture were by the development of means of transport diffused over the inland districts to the detriment of the hand-weaver.

The establishment of power mills in Bombay and elsewhere for spinning and weaving cotton hastened the decline of the village industry. Even in rural districts spinning is now disappearing and is said to be the resource only of those women who can do nothing else.

The weaver still ekes out a scanty livelihood, but he suffers much from partial and insufficient employment. It is impossible to withhold sympathy from this large body of men scattered over the length and breadth of India, who with their families are falling into ever deepening distress from causes which are entirely beyond their comprehension and control. I personally am inclined to believe that hand-weaving might even yet be revived by the employment of modern looms and modern methods of sizing and warping; but even if it be conceded that the hand-weavers must in the end be defeated by the competition of the power-loom, any measures which can mitigate for them the harshness of the transitional period deserve support: and therefore on the grounds of humanity alone the labours of Mr Chatterton and the Indian gentlemen who promoted the weaving competition in Madras must command our admiration.

Among the measures which might benefit the hand-weaver, fiscal protection cannot be included. There is a great deal to be said both for and against protection for India, which it is not my purpose to discuss. But the hand-weaver in any case would not be helped

by protection. He is being driven from his loom as much by the competition of Bombay as of Lancashire, and any obstacles placed upon the import of English goods would but accelerate the production of Indian power mills. Already Bombay has invaded his particular domain, the coarse cotton cloth trade, and every mile of rail laid down brings this disastrous invasion nearer to his door. To him in the village it makes no difference whether the bread is taken from his mouth by Manchester or Bombay ; in either case he starves.

The pitiable lot of the weaver is probably the darkest side of the industrial transition. Other village artisans, such as the carpenters and blacksmiths, are popularly believed to have improved their condition. To those who look forward with hope to an industrial revolution in India the bright side of the picture is not to be sought in the village at all, but in those manufacturing centres which have sprung into life in recent years, and in which industry is organised upon completely modern lines. It is to Bombay and Cawnpore and to the banks of the Hugli that we must go to find labourers concentrated together and working under expert supervision ; it is in such cities that capital has been freely

spent on the erection of mills and costly machinery, that the economics of production on a large scale have been secured, and that Indian captains of industry have arisen. Production upon Western lines has hardly been attempted for more than the lifetime of one generation, but within that short space it has made a most promising beginning, and in the last twenty-five years the progress achieved has been amazingly rapid. I do not propose to give a detailed account of the growth of specific industries; whether in Manchester, Pittsburg, or Bombay, the development of manufacturing industries is much the same, it is to the ears of most of us a twice-told tale, from which the romance has long since evaporated.

To those, however, who have actually taken part in the development of an industry, its records have all the charm and wonder of a fairy tale. Here is an account of the growth and development of the jute mill industry in Bengal, taken from the preface of a little book recently published, called "The Romance of Jute."¹

¹ "The Romance of Jute: A Short History of the Calcutta Jute Mill Industry, 1855-1909," by D. R. Wallace. Calcutta Empire Press, 1909.

“A little more than seventy years ago Dundee flax and hemp spinners used to guarantee their products ‘free from Indian jute.’ Then in 1838 the value of jute yarn was discovered and the Dundee jute industry was born. Seventeen years later, in 1855, the first spinning machinery was brought out to Calcutta from Dundee, the first mill was established, on land once owned by Warren Hastings, and the first machine-spun jute yarns produced. Eight tons a day was the product in the beginning. It is now 2,500 tons a day, or more than three times the produce of the parent in Dundee. In the place of that one mill there are to-day thirty-eight companies, with over 30,000 looms and 675,000 spindles. In 1850-51 the value of jute to India, as represented by the exports of the raw and (native) manufactured material, was a little over 41 lakhs. In 1908-9 the value was 31½ crores of rupees, very nearly half the total value of the merchandise exported from Bengal. Such has been the growth of the jute industry of Calcutta within the space of fifty odd years, and India owes an incalculable debt to the energy, enterprise, and ability of those men who since the days of Acland, the pioneer, have built up this industry out of the native resources of Bengal to the profit and honour of India and of themselves. The story of the birth and growth of the industry, which forms an

important chapter in the romantic history of Indian commerce, is set forth in the following articles which recently appeared in the Calcutta evening paper, *The Empire*."

And then follows an account of the growth of the industry worthy of this dithyrambic introduction.

I will not weary the reader with similar accounts of the growth of other industries, but will content myself with showing the results attained in the concentrated form of a statistical table (pp. 174, 175). The figures are taken from the industrial volume of the "Statistics of British India"; they refer only to factories worked by steam or mechanical power.

It is not easy to realise what a revolution in Indian industry is indicated by this dull list of figures. Absolutely, no doubt, the numbers are not yet large, but the rate of increase since 1880 - 81 is, to say the least, very promising. India has more than quadrupled her capacity to spin and weave cotton by steam-power in less than one generation. In 1908 she produced 657,000,000 lbs. of cotton yarn and 192,000,000 lbs. of woven goods. In jute her capacity in twenty-three years has been

THE MODERN INDUSTRIES OF INDIA.

| | 1880-1 | 1885-6 | 1890-1 | 1895-6 | 1900-1 | 1905-6 | 1907-8 | 1908-9 |
|---|------------------|------------|------------|--------------|-------------|-------------|-------------|-------------|
| COTTON MILLS— | | | | | | | | |
| Mills | No. 58 | 90 | 126 | 150 | 104 | 207 | 227 | 232 |
| Looms | 13,283 | 16,548 | 3,845 | 37,278 | 40,542 | 52,281 | 66,718 | 74,084 |
| Spindles | 1,471,730 | 2,198,545 | 3,197,740 | 3,852,611 | 4,942,290 | 5,293,584 | 5,763,710 | 5,945,122 |
| Persons employed | 47,955 | 71,577 | 111,998 | 146,552 | 156,355 | 212,720 | 225,367 | 235,987 |
| Yarn Produced | .. | .. | .. | 432,352,120 | 352,973,087 | 680,918,681 | 638,295,115 | 657,555,139 |
| Woven goods | .. | .. | .. | * 82,932,804 | 98,747,566 | 163,880,160 | 189,051,729 | 192,304,697 |
| JUTE MILLS— | | | | | | | | |
| Mills | No. 21 | 24 | 26 | 28 | 36 | 39 | 50 | 52 |
| Looms | 5,065 | 6,638 | 7,804 | 10,169 | 15,340 | 21,086 | 27,234 | 29,525 |
| Spindles | 69,978 | 126,964 | 162,785 | 214,679 | 317,348 | 453,168 | 562,274 | 607,358 |
| Persons employed | 35,235 | 47,640 | 61,698 | 78,114 | 111,272 | 144,879 | 187,771 | 192,181 |
| PAPER MILLS: to December— | | | | | | | | |
| Mills | No. .. | 7 | 7 | 8 | 8 | 7 | 8 | 9 |
| Persons employed | .. | 1,118 | 2,085 | 3,594 | 4,871 | 4,012 | 5,261 | 4,959 |
| Production: | .. | 12,303,327 | 20,447,079 | 39,927,687 | 45,940,591 | 44,146,157 | 55,215,708 | 56,825,469 |
| Value | .. | 17,79,954 | 32,88,747 | 60,86,330 | 62,51,748 | 51,86,729 | 72,90,355 | 75,87,267 |
| WOOLEN MILLS: to December— | | | | | | | | |
| Mills | No. .. | 4 | 5 | 5 | 4 | 6 | 6 | 5 |
| Looms | .. | .. | 526 | 531 | 594 | 719 | 820 | 786 |
| Spindles | .. | .. | 17,150 | 17,244 | 22,986 | 27,387 | 28,808 | 29,221 |
| Persons employed | .. | 1,309 | 2,164 | 2,929 | 2,874 | 3,491 | 3,437 | 3,511 |
| Production: | .. | 1,002,512 | 1,519,071 | 2,285,528 | 3,406,962 | 4,126,937 | 2,944,705 | 3,415,743 |
| Value | .. | 7,23,250 | 14,11,880 | 25,63,603 | 30,26,748 | 44,28,887 | 34,12,879 | 44,90,010 |
| BREWERIES: to December— | | | | | | | | |
| Breweries | No. 17 | 19 | 22 | 23 | 26 | 26 | 23 | 24 |
| Production | gals. 1,974,578 | 3,150,342 | 5,192,572 | 6,238,877 | 4,947,841 | 5,994,955 | 5,610,121 | 5,185,619 |
| MINERAL PRODUCTION: to December— | | | | | | | | |
| Salt | { tons .. | .. | 1,052,438 | 1,163,381 | 1,054,948 | 1,291,137 | 1,193,170 | 1,368,264 |
| Coal | { tons 1,019,793 | 1,294,221 | 58,79,905 | 61,58,189 | 48,89,547 | 66,20,889 | 65,11,152 | 76,65,026 |
| Gold | { Rs. .. | .. | 2,168,521 | 3,540,019 | 6,118,092 | 8,417,739 | 12,769,635 | 12,769,635 |
| | { Rs. .. | .. | 73,47,592 | 1,29,33,303 | 2,01,46,232 | 2,12,91,649 | 3,91,45,900 | 5,03,43,130 |
| | { oz. .. | 9,003 | 107,720 | 258,158 | 513,385 | 680,816 | 557,675 | 567,780 |
| | { gals. .. | 4,02,225 | 55,77,120 | 1,72,32,876 | 2,83,96,605 | 3,62,54,572 | 3,20,23,415 | 3,26,67,698 |
| | { Rs. .. | 1,547,298 | 4,132,287 | 13,003,748 | 87,729,211 | 144,798,444 | 132,045,677 | 176,646,320 |
| Petroleum | { Rs. .. | 3,73,379 | 2,82,173 | 15,39,231 | 22,31,325 | 90,63,051 | 91,50,236 | 1,06,30,139 |

* Figures for 1896-97, prior to which they were not obtained.

increased almost fivefold; in the spinning and weaving of wool there has been a considerable increase, though the demand for woollen goods is comparatively small. In quantity and value the manufacture of paper has increased about fourfold. The development in the mining industries has been even more remarkable. In twenty-eight years the output of coal has increased twelvefold; the output of gold has risen from the trifling figure of 9,000 ozs. to 567,700 ozs.; the production of petroleum has increased from 1,500,000 to 176,000,000 gallons. The production of iron ore is still lamentably small, but the great Tata enterprise may within a short period revolutionise the figures in this column. The production of mica, judged by the export figures, has advanced in value from $\frac{1}{2}$ lakh to 19 lakhs in twenty-eight years, in spite of a very heavy decrease in the last year. The increase in the value of manganese production from 1 lakh in 1895-96 to 1 crore thirteen years later illustrates one of the advantages to India of facilities of transport. There is as yet next to no demand for manganese in India itself, but in recent years a large demand has sprung up in Europe and America, the satisfaction of which has enriched

Indian landowners and given employment to Indian labourers; it would also have made the fortune of Indian capitalists had they been alive to the possibilities of wealth which lie at their feet. I do not wish to attach exaggerated importance to the rate at which these industries have increased; the fallacy of percentages attaches to the growth of all new enterprises. But I do contend that the figures on pp. 174 and 175 give us abundant justification for saying that the germ of manufacture on modern lines has already been planted, and that it has shown wonderful capacity to thrive in an Indian environment.

Another and most encouraging proof of the vitality of these new industries is to be found in the figures of the export and import trade. Both exports and imports have increased largely with the growth of the country's wealth and population, but the export of manufactured articles has increased more largely than the export of raw materials. In the import trade the tendency is, as we should desire it to be, in the opposite direction; the import of raw materials has increased to a greater degree than the import of manufactured goods. This tendency was first detected by the perspicacity

of the late Mr Justice Ranade, to whose writings all who are interested in Indian economics must acknowledge their indebtedness. In a paper which Mr Ranade read at the Industrial Conference at Poona in 1893, he compared the exports and imports of 1879 with those of 1892, with this result :—In thirteen years the export of

| | | | |
|-----------------------|---------------|-----|-----------|
| Manufactured articles | had increased | 211 | per cent. |
| Raw materials | „ „ | 43 | „ |

whereas the imports for the same period revealed the opposite tendency ; the import of

| | | | |
|-----------------------|---------------|----|-----------|
| Manufactured articles | had increased | 39 | per cent. |
| Raw materials | „ „ | 91 | „ |

and “from a general survey of the nascent industries” he came, as long ago as 1893, “to the hopeful conclusion that the transition of India from a purely agricultural to a partly manufacturing and trading country had commenced.” A reverent disciple of Mr Justice Ranade and a competent scholar, Professor V. G. Kale,¹ has recently brought these calculations up to date ; he has had the satisfaction

¹ Professor V. G. Kale, “Industrial Conference of Madras, 1890.”

perience of an additional fifteen years. "There could be no clearer proof" than the export figures, he says, "of the rapid strides our industries have been making for the past few years." The growth of raw imports

"again is an indication of our growing industrial activity, as it shows that we have been importing raw material in large quantities to be manufactured in this country, thus giving greater employment to labourers and larger profits to our manufacturers and merchants."

It is not surprising that these industrial tendencies should first have been observed by residents of Bombay. In the city of Bombay the industrial revolution has already been accomplished. Bombay is a modern manufacturing city, where both the dark and the bright side of modern industrialism strike the eye. Bombay has insanitary slums where overcrowding is as great an evil as in any European city; she has a proletariat which works long hours amid the din and whirr of machinery; she also has her millionaires, whose princely charities have adorned her streets with beautiful buildings. Signs of lavish wealth and, let me add, culture and taste in Bombay astonish the

visitor from the inland districts. The brown villages and never-ending fields with which he has hitherto been familiar are the India which is passing away; Bombay is the presage of the future.

CHAPTER VIII

THE "DRAIN"

THE equipment of modern industry is very costly and demands a large initial outlay of capital. In the task of reorganising her industry on modern lines India is confronted with this question: How is she to find the capital for the initial outlay on equipment? Theoretically, no doubt, she might find it by saving, for all capital is the result of saving; but this process would be interminably slow. Her resources are slender, and those Rajas, Nawabs, and Zamindars who possess considerable stores of accumulated wealth are not generally familiar with commercial enterprise. If India's industrial development is to be dependent upon capital provided by her own children, the process will be a very lengthy one. The alternative is to borrow from those countries which have surplus capital to lend. This is the practical course, and the one which, in fact, India has already begun to

adopt. It is a course which entails the annual payment of interest to creditors abroad. Such payments are inevitable and, for the most part, satisfactory incidents of the industrial transformation. An opinion, however, exists that all payments which India makes to foreign countries, whether for interest on loans or for other services, tend to impoverish the country and constitute a "drain" upon its resources. The matter in dispute belongs, in part at least, to that department of economics which is known as Foreign Exchanges, and because Mr C. F. Bastable is a recognised authority on this subject, and because his book on the "Theory of International Trade" is easily accessible to students, I will follow the method which he has pursued in dealing with the question.

In the modern era of international commerce, every civilised nation makes a number of payments to foreign countries and receives a number of payments from foreign countries. It will be well at the outset to consider the different heads under which these payments are made and received. This investigation is in reality nothing else than stating the various parts of the debtor and creditor account of a country in terms of ordinary account keeping.

Mr Bastable arranges these disbursements and receipts in the following order, and explains them in words which I print in large type, pointing out their application to the special case of India:—

- (1) It is desirable to give the first place to what the earlier writers regarded as the sole contents of this balance sheet, viz. : the imports and exports. A country is clearly a debtor to other countries by the value of all its imports, as on the other hand it is obviously a creditor by the value of its exports.

India exports more than she imports, and therefore under this head she is a creditor ; that is to say that if the value of the imports is deducted from the value of the exports a sum of money is due to her equivalent to the value of the excess of exports.

- (2) Next to imports and exports we have to set down to the account the loans which a country receives or gives. The contracting of a loan by

a nation makes the nations which offer the loan its debtors for the time being, till the loan is carried out and it necessarily becomes their creditor.

This paragraph is, I confess, rather startling, and at first sight bewildering; our natural instinct is to apply the terms, debtor and creditor, in exactly the opposite way to that which Mr Bastable proposes; but a little reflection will show that for the limited time to which it refers, his statement is unquestionably correct. In the particular year in which India raises a foreign loan in London, England has to make a payment equivalent to the loan and India has to receive it. In the particular year, therefore, in which she raises a foreign loan, India is, under this head, a creditor.

(3) The annual interest on capital already invested acts in the opposite direction; here the investing country is a creditor, and the country which has previously borrowed, a debtor.

India has to remit to Europe the interest

upon the capital she has borrowed, and under this head is a debtor.

- (4) The repayment of a loan previously incurred acts in the same way as the interest to be paid on it while outstanding. It comes to the credit of the receiving and to the debit of the repaying country; which merely amounts to the assertion that the reversal of a process will in general have an opposite effect to the original process.

India is constantly repaying portions of her debt out of surpluses. Under this head should also be included the purchase by Indians of Rupee Paper previously held in England; the amount of these purchases in the last decade has amounted to £4,700,000. The process of "bringing the debt home" acts upon the exchange market in the same way as repaying it.

- (5) The next element is a minor one as compared with those that we have been considering, but still its aggre-

gate amount cannot be neglected ; it includes the earning of native merchants living abroad, and the profits of foreigners residing in the country, that is, of course, so far as they are transmitted to their native country. In the former case the country is a creditor ; in the latter it is a debtor.

Under this head India is almost certainly a debtor, though we cannot tell by what amount. The English merchants, bankers, lawyers, and Government officials living in India remit to their homes sums which in the aggregate exceed the remittances of Indian merchants from foreign countries and the sums remitted or brought home to India by labourers (or coolies) who have worked in tropical colonies (either as indentured or free labourers).

- (6) It is perhaps scarcely necessary to separate our sixth case from the last one. It occurs when foreigners transmit money for benevolent purposes to a country or in the reverse

instance of a country sending donations abroad—*e.g.*, the annual remittance of the large number of Irish persons, who are naturalised in the United States, to the United Kingdom, amount to a considerable sum.

Under this head India is most probably a creditor. The remittances sent from various Christian countries for the support of missions and missionary schools in India must be in the aggregate considerable, though I have not been able to ascertain the total amount. Subscriptions raised in England for the relief of Indian famines are also an Indian credit. On the other hand, the sums remitted from India for institutions, memorials, or societies in London are an Indian debit.

(7) Our next head will be more important. A country is creditor for services done by its ships and traders. Though this head may in some instances touch closely on No. 5, still there is a shade of differ-

ence. The ships which a country employs in carrying for foreigners are in reality, as Sir R. Giffen has aptly called them, an "invisible export," and might almost, did the nature of statistical returns permit, be classed under this head. On the other side, of course, a country is debtor for the services done by foreign ships and traders for it. When we remember that seventy millions may reasonably be assigned as the annual amount of England's gain in this way, the importance of the item will not be disputed.

Under this head India is a debtor and England a creditor. It is a gratifying symptom of India's economic development that some at least of the steamships which ply in the Gulf of Arabia nowadays are Indian-owned; but the great bulk of India's coastal trade, and almost all the ocean trade with the Far East, is carried in foreign and mostly English bottoms. If, as Mr Bastable suggests, these ships were included

in India's imports, the excess of exports would be appreciably reduced.

- (8) The expenditure of a nation's Government abroad will also make it a debtor to that amount, and conversely the expenditure of other Governments in a country will put it so far in the position of a creditor.

On this account India is a debtor, and her remittances under this head are more important than is the case with other countries. India remits money to England for the furlough pay and pensions of Englishmen who have served in India; her Government also repays to the English Government the amount that it spends on enlisting and training troops for service in India.

- (9) An item of greater relative weight formerly than it is at present should not be left unnoticed, viz., the tributes or indemnities due by one country to another. The paying country is

here the debtor and the receiving country the creditor. Striking modern instances are to be found in the case of the great war indemnity paid by France to Germany after the war of 1870-71, amounting to £200,000,000, and in the indemnity from China to Japan.

In the case of India there is nothing to record under this head; India pays no tribute to any one, and she has had no war indemnity to pay in modern times.

(10) And finally, the expenditure of citizens travelling abroad renders a country a debtor, while it is a creditor for the expenditure of foreigners within its territory; that is, of course, so far as the parties in question derive their power of expenditure from their native country.

Under this head there is little doubt that India is a creditor. The tourists who visit

India in the cold weather belong to a comparatively wealthy class, and the money they spend in India must in the aggregate represent a considerable sum. It has been calculated that the sums brought into Italy by foreign sightseers amount to about £12,000,000 sterling a year, and there is every reason to wish that India should grow in popularity as a health and pleasure resort. The expenditure of Indian visitors to Europe, of whom students are the most numerous class, is on the other hand an Indian debit. It may serve to give some idea of the largeness of the figures with which we are here dealing to mention that the annual expenditure of Indian students¹ in England, which is a quite insignificant item in these international exchanges, cannot amount to less than 30 lakhs of rupees a year. The expenditure of Indians abroad is a debit item which is likely to increase in the future, but for the present India is almost certainly a net creditor under this head.

Under one or other of these heads all the payments which any country has to receive

¹ The most trustworthy estimate puts the number of Indian students in the British Isles between 1,000 and 1,200; their expenditure per head, including fees, cannot average less than £200 a year.

and all the disbursements it has to make may be classified. What the total of the credits and the total of the debits of any particular country may amount to, we cannot tell, because many of the receipts and payments are made by private individuals, and are not recorded in any published statistics. What we do know is that the two sides of the account balance each other, which merely amounts to saying that the debts on each side are actually paid. If a considerable part of a country's debits in any given year consist of obligations for which no material equivalent is received in that year (that is, of obligations under heads 3, 5, 7, and 8), then that country must send abroad, either in goods or money, the equivalent both of these obligations and of the imports she receives. Or to put the same thing rather more shortly, we may say that that portion of her debits which is not balanced by material assets is discharged by an excess of exports either of goods or money.

In order to ascertain the extent of the "drain" from India we have, then, to find out what in any given year is the amount of her exports in goods or money for which in that year she receives no material equivalent. This

gives to the word "drain" a precise meaning, and the one which I understand it is usually intended to bear. It is not, I believe, contended that all India's debits constitute a "drain." This would be a wholly untenable position. Much the largest item in the debit column is "Imports." These imports, of course, have to be paid for, and for that reason they are placed on the debit side; but for the payments which India makes under this head she receives an equivalent in goods of precisely the same value, and there is no reason to describe this exchange as a "drain." Similarly the expenditure of Indian travellers abroad is a debit item, but there is no "drain" under this head because this debit is more than balanced by a yet larger credit representing the expenditure of foreign travellers in India. I will not labour this point, for it is, I think, obvious that the "drain" cannot fairly be represented as the equivalent of all the debits without taking into consideration the material assets by which a portion of them is balanced. I therefore define the "drain" in any given year as that portion of India's debits for which in that year she receives no material equivalent in goods

or money. Having thus defined the "drain," I propose to discuss the three following questions:—

- (1) What is the amount of the "drain" from India?
- (2) To what extent are other countries similarly "drained"?
- (3) What economic equivalents does India receive for the "drain"?

(1) What is the amount of the "drain" from India? In order to give the actual figures which answer this question, we must take a particular year or series of years. As the figures we want to enquire into are subject to considerable fluctuations, it is advisable to take a series of years so as to reduce these fluctuations to a fair average. Each edition of the "Statistical Abstract for British India" publishes the figures for the preceding decade. I will therefore take the figures for the series of years 1899-1900 to 1908-9, which are those given in the last published "Statistical Abstract." The precise question to which we want an answer is therefore: What was the amount of India's

debits from 1899-1900 to 1908-9 for which, in the course of that decade, she received no material equivalent in goods or money? The answer is to be found in the Trade Returns. All the goods that go out of India by sea and all the goods that enter India from the sea, whether on account of Government or private individuals, are recorded as exports or imports of merchandise. Similarly all the gold and silver, whether in the form of money or raw metal, which comes into India or goes out of India by sea is recorded under the headings, Imports or Exports of Treasure. Adding together the figures for merchandise and treasure, and deducting the total imports from the total exports, we get the following figures for the decade:—

EXCESS OF EXPORTS (000 OMITTED).

| 1899-1900. | 1900-1. | 1901-2. | 1902-3. | 1903-4. | 1904-5. | 1905-6. | 1906-7. | 1907-8. | 1908-9. |
|------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| 13,841 | 10,983 | 17,989 | 18,570 | 24,893 | 20,227 | 22,360 | 13,713 | 2,665 | 5,271 |

This brings the excess of exports of goods and money for which India received no material equivalent in the decade up to £150,512,000, or

an average of £15,051,000 per annum.¹ The "drain," therefore, during this period amounted to £15,000,000 sterling a year. It could not have amounted to more than this, for all material forms of value in which wealth can be sent from one country to another are covered by the terms "goods" and "money," and practically all movements of goods and money are recorded in the Trade Returns. It is, of course, arguable that a few sovereigns leave India in the pockets of travellers and so escape enumeration, and a few goods may leave India from little ports at which no inspecting officer of the Government of India is stationed; but the amounts which could possibly escape enumeration through these channels would obviously be so trifling as not to deserve consideration. We may therefore assert with confidence that the round sum of £15,000,000 sterling represented the annual "drain" from India during the last decade.

This is the only conclusion at which it is

¹ These figures, it will be observed, do not include the Land Trade. If the official returns may be trusted, there was an excess of imports by land amounting in the decade to £8,112,000, *i.e.*, an average of £811,000 per annum; so that by the inclusion of these figures the total excess of exports from India would be reduced to £14,240,000 per annum. I do not think, however, that the returns for the trade across the border can be entirely trusted, and, rather than run the risk of underestimating India's excess of exports, I prefer to leave the net imports by land out of the calculation.

possible to arrive upon the evidence. As, however, the "drain" is sometimes put at a much higher figure than this, I will examine an objection which may possibly be taken to my conclusion; it is an objection in which there is a certain superficial plausibility and therefore it deserves attention. I imagine the objector might put his case like this: "The sum of £150,000,000 sterling which you have estimated as the amount of the 'drain' during the decade is not sufficient to pay for the Home Charges during that period, much less is it sufficient to meet both the Home Charges and the remittances of English merchants and professional men on private account. How, then, upon your showing, were these paid?" The figures upon which this objection is based do appear to support it. The Home Charges for the decade were as follows:—

HOME CHARGES (000 OMITTED).

| 1899-1900. | 1900-1. | 1901-2. | 1902-3. | 1903-4. | 1904-5. | 1905-6. | 1906-7. | 1907-8. | 1908-9. |
|------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| 16,129 | 16,983 | 16,877 | 17,667 | 17,400 | 18,278 | 17,666 | 18,334 | 17,769 | 18,323 |

which amounted to £175,976,000 for the decade, or an average of £17,598,000 per annum. As

our business now, however, is to ascertain the net debits, to contrast them with the net credits, a deduction must be made from these figures. The Home Charges contain an item headed "Stores Charged to Revenue"; these stores are, of course, imports, and they are so entered in the Trade Returns: in estimating the excess of exports over imports India has already been debited with the imports of stores. We must therefore deduct from the Home Charges the value of the stores imported in the decade, which amounted to £18,551,000. After this deduction has been made the total of the Home Charges for the decade amounted to £157,425,000, or an average of £15,742,000 per annum. Thus even after due deduction has been made on account of stores, the Home Charges alone exceeded the amount at which I put the "drain," and the remittances on private account which must certainly be assumed to have been made are entirely unaccounted for. How is this discrepancy explained? Did India somehow contrive during this period to avoid meeting her obligations? By no means; India paid all her debts in full, and yet the "drain" was no more than £15,000,000 sterling. The explanation of this seeming anomaly is that over and

above what may be called the normal balance of trade during the decade, a further credit was placed at India's disposal under heading No. 2 of Mr Bastable's classification (Foreign Loans). These loans were mostly invested in stores, rails, machinery, etc., *i.e.*, the costly equipment of modern industry; they went out to India in the form of merchandise and were registered as imports. By means of loans raised abroad India received an increased supply of valuable imports; to the extent of their value the excess of exports was reduced.

When we are considering the "drain" for a definite period (such as the last decade) that is the end of the matter. India received full value for these loans, and by means of them a substantial reduction was made in the proportion of her exports of goods or money for which she received no material equivalent. In other words, the "drain" was to that extent reduced. But I imagine that my objector is not yet satisfied, and that he returns to the charge with these words: "That is all very well for the last decade; but by these foreign loans India has only increased the burden which she will have to bear in the future, and what I want to get at is the amount which India

has to pay when there is no flow of European capital into the country: that will show the true 'drain.'" I will attempt to answer this question as definitely as its highly speculative character permits, although personally I do not believe that an enquiry into what might have happened if circumstances had been different can lead to any valuable conclusion. There are some statistics for the last decade from which it is possible to frame a tolerable conjecture of what, within broad limits, the "drain" would have been if India had not borrowed capital from abroad. These I will now examine. We have already ascertained the *actual* "drain," and the subject of our present enquiry is what I may call for shortness the *potential* "drain."

The recorded figures on which to base our estimate of the potential "drain" are those of the capital raised directly in England by the Indian Government or by private companies under a Government guarantee. A careful statement has been prepared for me in the India Office showing "the amount of India Debt, Guaranteed Indian Railway Capital, and Capital portion of Indian Railway Annuities outstanding at 31st March 1899 and 31st March 1909." The difference between the two figures

will show the amount by which India increased her capital liabilities in England during the decade. The figures at the two periods are :—

| | | | |
|--------------|---|---|---------------------|
| £253,349,140 | . | . | on 31st March 1899. |
| £295,280,176 | . | . | on 31st March 1909. |

The direct and guaranteed debt, charged on the revenues of India, was therefore increased during the ten years by £41,931,036, which is equivalent to an average annual increase of debt of £4,193,000. If this sum had not been borrowed the excess of exports would have been to that extent larger; that is to say, that in these hypothetical circumstances the "drain" for the whole decade would have been raised from £150,512,000 to £192,443,000, equivalent to £19,244,000 per annum. This sum is not only sufficient to pay for the Home Charges, amounting to £15,742,000 per annum, but sufficient also to have a margin of £3,502,000 from which to defray the unknown remittances on private account. In addition to the capital raised by Government some investments were no doubt made by private capitalists; what they amounted to we have no means of ascertaining; but remembering that Government usually fails to persuade European capitalists to invest money

in India without a guarantee, we cannot suppose them to have been considerable. It would, I think, be a rash estimate that put them anything like as high as one-half of the amount invested by Government; but assuming for the sake of argument that they may have reached this figure, the excess of exports in the last decade might, in the hypothetical circumstances imagined, have been about £21,000,000 sterling. This would allow between £5,000,000 and £6,000,000 sterling per annum for interest on private capital, earnings of English merchants and professional men, and freights earned by English ships in Indian waters. This is probably an excessive estimate, but we are now dealing with transactions of which no statistical record is kept, and with regard to which we cannot hope to do more than arrive at a probable approximation to the truth. On the whole, I do not think that any one who studies the evidence and extends his calculations over a series of years will find any justification for estimating the potential "drain" at more than £21,000,000 sterling. For my own part I may say frankly that though a certain speculative interest undoubtedly attaches to the subject, I look upon all guesses at the potential "drain" as futile. What we want to

know is the actual "drain." That we can and do know. In the last decade the actual drain amounted to just a trifle over £15,000,000 sterling.

(2) The amount of the Indian "drain" being settled, I now pass to a consideration of the next question, viz.: "To what extent are other countries similarly drained?" The materials for an answer to this question may be found in two official publications of the Board of Trade, viz.: the Statistical Abstract for the Principal and other Foreign Countries, and the Statistical Abstract for the British Colonies; in these two books the imports and exports of merchandise and precious metals of all civilised countries are recorded. An examination of these two books will show that certain countries import more than they export; these are for the most part countries in which the industrial revolution has been carried far and which have surplus capital to lend; of these England is the most conspicuous example. On the other hand, there are a large number of nations which export more than they import; they are countries which are still developing their resources. Of this latter class I have selected nine examples, two from Europe, two from North America, two from South

America, two from Australasia, and one from Africa. The annexed table shows in millions sterling what has been the "drain" from each of these nine countries during the last five years for which statistics are available. The list might easily have been made longer; in Europe, Bulgaria and Servia; in South America, Chile, Peru, and Uruguay exhibit an excess of exports. Three countries which are developing their resources, viz., Canada, Japan, and Egypt, do not figure in this table; in recent years they have been importing more than they export; their case will be considered later.

The first reflexion that the table on p. 206 suggests is that the political status of a nation has obviously nothing to do with the so-called "drain." There is an excess of exports equally from independent states such as Russia and the United States of America, from the self-governing Colonies such as the Australian Commonwealth and the South African Union, and from dependencies like India. But all these countries have economic, as opposed to political, characteristics in common. They are countries which are developing their resources, countries which have potentialities of wealth not hitherto turned to human use; in the majority of cases they are

STATEMENT SHOWING EXCESS OF EXPORTS, ETC., FOR CERTAIN COUNTRIES.

| Countries. | Excess of Exports in | | | | | Average Annual Excess during the five years. | Excess per head of Population. |
|---------------------------------|----------------------|--------------|--------------|-------------|-------------|--|--------------------------------|
| | 1903. | 1904. | 1905. | 1906. | 1907. | | |
| Argentine Republic | £ ... | £ 10,708,000 | £ 17,190,000 | £ 1,124,000 | - 2,017,000 | £ 12,885,000 | £ s. d. 1 8 9 |
| Australian Commonwealth | .. | 20,465,073 | 18,494,304 | 24,992,851 | 21,015,214 | 14,524,260 | 4 13 1 |
| Brazil | .. | 13,515,000 | 14,813,000 | 19,855,000 | 13,649,000 | 8,664,000 | 0 16 3 |
| British South Africa | .. | - 7,660,000 | 742,000 | 11,564,536 | 20,102,922 | 19,673,859 | 1 5 2 |
| Mexico (Year ended June) | .. | 2,361,000 | 2,235,000 | 5,220,000 | 1,612,000 | 2,142,000 | 0 4 0 |
| New Zealand | .. | 1,456,854 | 2,827,090 | 2,883,734 | 2,766,096 | - 1,453,790 | 1 16 1 |
| Roumania | 3,428,000 | - 1,980,000 | 4,782,000 | 2,769,000 | 4,941,000 | ... | 2,788,000 0 8 4 |
| Russian Empire | 31,262,000 | 38,770,000 | 44,968,000 | 28,936,000 | 21,937,000 | ... | 33,175,000 0 4 5 |
| United States (Year ended June) | .. | 95,306,000 | 96,861,000 | 97,566,000 | 81,043,000 | 122,713,000 | 98,698,000 1 2 8 |
| India | .. | .. | .. | .. | .. | Decade 1900-9. | 15,051,000 0 1 0 |

Note.—For Russia, U.S.A., and Argentine Republic, imports are imports for home consumption only, and exports are exports of domestic produce only.

The figures of population used in calculating column nine are, for Mexico and Brazil, the results of censuses taken in 1900. For the other countries they are the latest estimates available.

Trade in Treasure is included in above table except for Brazil and Roumania.

new countries whose potentialities of wealth have only recently been discovered or appropriated. The others are old countries in which an archaic economic organisation has hitherto prevented the full development of their resources, but which are now coming into line with the great industrial nations of the world. Of this class India is at present the most conspicuous example, but cases parallel to hers may be found in Eastern Europe.

We must now turn to those three countries, Japan, Canada, and Egypt, which appear to be exceptions to the rule that countries which are developing their resources export more than they import. In the last five years these countries have sometimes had an excess of exports and sometimes of imports; for the whole period the excess is on the side of imports. To what is the absence of a "drain" from these countries during this period due? It is due to the fact that these countries have been creating for themselves credits under heading No. 2 (Foreign Loans) to such an extent as temporarily to extinguish the excess of exports. They have been borrowing very freely in Europe; they have invested the money borrowed in stores, armaments, rails, and rolling stock, etc., and these have swollen their imports to an

equality with their exports. What India has done on a small scale, they have done on a large scale.

In the last decade Japan has borrowed heavily in Europe. Mr J. H. Soyeda, the President of the Industrial Bank of Japan, gave in the *Times* of the 19th July 1910, the following list of Japan's foreign loans in the last decade. The loans mentioned in the first table were raised by or under the guarantee of the Industrial Bank.

| Name. | Date of Issue. | Amount. | Rate of Interest. | Place of Issue. |
|--|----------------|-------------|-------------------|---------------------|
| | | | Per Cent. | |
| Japanese Government 5 per cent. Loan . | Oct. 1902 | Y50,000,000 | 5 | London |
| Hokkaido Colliery Railway Debentures | Jan. 1906 | £1,000,000 | ... | ... |
| Tokyo City Loan Bonds | July 1906 | £1,500,000 | ... | ... |
| South Manchurian Railway Debentures | July 1907 | £4,000,000 | ... | ... |
| South Manchurian Railway Debentures | June 1908 | £2,000,000 | ... | ... |
| South Manchurian Railway Debentures | Dec. 1908 | £2,000,000 | ... | ... |
| Industrial Bank of Japan Debentures . | Nov. 1908 | £2,000,000 | ... | London and Paris |
| Industrial Bank of Japan Shares . . . | Mar. 1906 | Y7,500,000 | ... | London |
| Osaka City Loan Bonds | April 1909 | Y30,220,000 | 5 | ... |
| Yokohama City Loan Bonds | July 1909 | £716,500 | ... | ... |
| Fuji Paper Manufactur- ing Company Loan . | Aug. 1908 | Y1,500,000 | 6½ | Tokyo |

Ten Yen=£1.

OTHER FOREIGN LOANS

Turning next to those foreign loans of importance, in which the Industrial Bank of Japan was not directly concerned, they are shown in the following table:—

| Name. | Date of Issue. | Amount. | Rate of Interest. | Place of Issue. |
|---|----------------|---------------|-------------------|------------------------------------|
| | | | Per Cent. | |
| Japanese Government Sterling Bonds . | Mar. 1905 | £30,000,000 | 4½ | London and New York |
| Japanese Government Sterling Bonds . | July 1905 | £30,000,000 | 4½ | London, New York and Berlin |
| Japanese Government Sterling Bonds . | Nov. 1905 | £25,000,000 | 4 | London, New York, Paris and Berlin |
| Japanese Government Sterling Bonds . | Mar. 1907 | £23,000,000 | 5 | London and Paris |
| Osaka City Harbour Works Bonds . . . | Nov. 1902 | Y3,500,000 | 6 | London |
| Yokohama City Waterworks Bonds . . . | July 1902 | Y900,000 | 6 | London |
| Yokohama City 5 per cent. Sterling Bonds | Aug. 1906 | £317,000 | 5 | London |
| Yokohama City Gas Bonds | Feb. 1909 | Y648,000 | 6 | London |
| Nagoya City 5 per cent. Sterling Bonds | May 1909 | £800,000 | 5 | London |
| Kyoto City 5 per cent. Sterling Bonds . . . | June 1909 | Fc.45,000,000 | 5 | Paris |
| Kwansai Railway Debentures. | Nov. 1905 | £1,000,000 | 4½ | London |

From Mr Soyeda's tables it appears that in this decade Japan borrowed £134,000,000 sterling abroad, upon which she will have to pay £6,000,000 in future years as interest. I have no doubt that the statesmen and financiers of Japan know their own business, and that it was to the benefit of their country that Japan should raise these foreign loans, but it is not surprising that operations of this magnitude should have temporarily turned the excess of exports into an excess of imports. The cases of Canada and Egypt are exactly similar; very large borrowings in the European money market have followed a great outburst of material prosperity, and these imports of foreign capital have been so great as temporarily to obscure the fact that Canada and Egypt usually export more than they import in order to pay their foreign creditors.

Seeing that the debtor countries which export more than they import are amongst the most prosperous in the world, and that they are every year adding to their wealth, it is manifestly absurd to describe the payments which they make to their foreign creditors as a *drain*. For the future, therefore, I shall avoid the use of this misleading word and employ instead the

colourless expression "foreign payments," or "net foreign payments."

APPENDIX

I HAVE often myself found that a second illustration of the operation of an economic law is a great help to the understanding of it. I therefore reprint here extracts from an article in the *Times*¹ upon the American excess of exports. I am not attempting to create the impression that there is any analogy between India and a country economically so advanced as the United States. But it will, I believe, be found instructive to observe that the components into which we analysed the Indian drain are also given as the explanation of the American excess of exports by a practical man of business.

"The following statement contains particulars of the total imports and exports of merchandise; the excess of exports over imports; and the excess of imports or exports of gold during each of the past 20 years; and it is worthy of perusal

¹ *Financial and Commercial Supplement*, Friday, 30th September 1910.

by all persons who are interested in American securities:—

(THOUSANDS OMITTED.)

| Year ending June 30. | Total Imports and Exports of Merchandise. | Excess of Exports over Imports. | Excess of Imports or Exports of Gold. | Excess of Exports of Silver. |
|-------------------------|---|---------------------------------------|---|------------------------------------|
| | \$ | \$ | \$ | \$ |
| 1891 | 1,720,089 | 48,594 | 67,915 (E) | 4,250 (I) |
| 1892 | 1,847,389 | 212,397 | 259 (E) | 3,570 |
| 1893 | 1,701,683 | 7,126 (I) | 86,628 (E) | 6,813 |
| 1894 | 1,539,682 | 244,132 | 4,005 (E) | 30,701 |
| 1895 | 1,539,508 | 75,568 | 30,083 (E) | 27,084 |
| 1896 | 1,662,331 | 102,882 | 78,884 (E) | 31,764 |
| 1897 | 1,815,723 | 286,263 | 44,653 (I) | 31,413 |
| 1898 | 1,847,531 | 615,432 | 104,985 (I) | 24,177 |
| 1899 | 1,924,171 | 529,874 | 51,432 (I) | 25,643 |
| 1900 | 2,244,424 | 544,541 | 3,693 (E) | 21,455 |
| 1901 | 2,310,937 | 664,592 | 12,866 (I) | 27,898 |
| 1902 | 2,285,040 | 478,398 | 3,452 (I) | 21,500 |
| 1903 | 2,445,860 | 394,422 | 2,108 (E) | 20,086 |
| 1904 | 2,451,914 | 469,739 | 17,595 (I) | 21,703 |
| 1905 | 2,636,074 | 401,048 | 38,945 (E) | 21,363 |
| 1906 | 2,970,426 | 517,302 | 57,648 (I) | 21,426 |
| 1907 | 3,315,272 | 446,429 | 63,111 (I) | 13,792 |
| 1908 | 3,055,115 | 666,431 | 75,904 (I) | 13,263 |
| 1909 | 2,974,931 | 351,090 | 47,527 (E) | 11,727 |
| 1910 | 3,302,821 | 187,111 | 75,223 (E) | 10,069 |

(E) Excess of exports.

(I) Excess of imports.

“The average annual excess of exports of merchandise during the whole period is \$476,169,000 (£95,233,800), and it is interesting to note that, notwithstanding the somewhat violent annual fluctuations in the volume of exports and imports, this average figure approximates fairly closely to the quin-

quennial averages, which are as follows:—
 1891 - 95, \$573,565,000 (£114,713,000); 1896-
 1900, \$415,798,000 (£83,159,600); 1901 - 5,
 \$481,640,000 (£96,328,000); and 1906 - 10,
 \$433,673,000 (£86,734,600).

“ Attention may be directed to the correlation which the figures contained in the last table establish between the extent of the excess of exports of merchandise and the gold movements to and from the United States. Generally speaking, it will be found that in the years in which the trade balance has been most active—that is to say, where there has been a large excess of exports—the movement of gold has been decisively to the United States. On the other hand, in years in which the excess of imports has been comparatively small, the gold movement has been equally decisively against the United States. This is very clearly shown by the figures of the past four years. For 1907 and 1908 there was an excess of exports of merchandise to the aggregate amount of \$1,112,860,000 (£222,572,000), and the excess of imports of gold during those two years was \$139,015,000 (£27,803,000), thus showing the power which a large excess of exports gives the United States to draw gold. But during 1909 and 1910 the excess of exports of merchandise was only \$538,201,000 (£107,640,200), and there was an excess of exports of gold to the extent of \$122,750,000 (£24,550,000). Over the whole period of 20 years the exports and imports of gold roughly balance one another.

"INDEBTEDNESS TO EUROPE"

"Now, as already stated, the annual average excess of exports of merchandise during the past 20 years has been \$476,169,000 (£95,233,800), and it will be instructive to consider the economic significance of this fact. It cannot be maintained that this sum represents the investment of American capital abroad. In recent years it is true that a considerable amount of American capital has been invested in Mexico, Canada, Cuba, Peru, and certain of the Latin-American States; but as regards Europe generally it may be fairly assumed that the indebtedness of the United States is greater now than it has ever been in the past. It is, of course, impossible to attempt to frame any precise estimate of the extent to which America is indebted to Europe, but probably if we assume from 500 to 600 millions sterling in the case of Great Britain, 200 millions sterling in the case of both France and Germany, and 200 millions for the rest of Europe we shall not be far from the actual amount. The total capital indebtedness of the United States to Europe may, therefore, be placed at about 1,200 millions sterling. Deducting from this amount, say, 200 millions as representing the amount of American capital invested abroad, we arrive at a net capital indebtedness of 1,000 millions sterling. Assuming a moderate of interest, say 6 per cent., it may be estimated,

therefore, that the United States stands to remit Europe the sum of £60,000,000 annually by way of interest. To this must be added the annual expenditure of American tourists abroad. Here again it is impossible to frame a precise estimate. An eminent New York banker once expressed the opinion that if ever the United States got into financial difficulties she had only to suspend the tourist expenditure for one year and she would be able to restore her finances with ease. The amount expended abroad annually by American tourists must be enormous. The development of the North Atlantic shipping trade affords some indication of the magnitude of this expenditure, which has been estimated at as high as £70,000,000. Against this, however, must be set the very large expenditure of foreign tourists in the United States. Again, so far as foreign trade is concerned, the United States mercantile marine is of small account, and the United States is largely indebted to the principal European maritime Powers for marine transport services. It has further to be borne in mind that the United States is indebted to a substantial extent annually to Great Britain, France, and Germany for their banking, insurance, and other financial and commercial services. Another matter which must be taken into account in the consideration of the adjustment of the trade balance of the United States is the remittance of the earnings of foreigners who are employed in the United States. Taking all the circumstances into account it seems not improbable that the

United States have to remit Europe in all, say, £60,000,000 a year for interest, and £60,000,000 per annum for the expenditure of her tourists, the earnings of foreign subjects resident within the United States, and the earnings of European banking, insurance, and shipping houses from the carrying and financing of American trade.

“On the basis of this calculation, therefore, it may be said that in recent years at all events the United States have been remitting about £25,000,000 per annum less than they would appear to owe, and this average deficiency has presumably been met by fresh borrowings. In this way it is possible to account for the fact that notwithstanding the huge average excess of her exports of merchandise, the United States are chronic borrowers in the great European monetary centres. On the average, therefore, it may be assumed that the capital indebtedness of America to Europe is increasing at the rate of about £25,000,000 per annum.”

CHAPTER IX

THE "DRAIN"—*continued*

I NOW come to the third of the questions which I set out to answer, viz.: "What economic equivalent does India receive for her foreign payments?" As the phenomenon of foreign payments is found in so many quarters of the globe, we should expect that the explanation of it would be of general application. Why, then, do the United States, the Argentine Republic, the Australian Commonwealth, and the other countries given on p. 206, export more than they import? It is because they have borrowed capital from Europe in order to build railways and erect factories. They possess two of the factors on which the production of wealth depends, viz., land and labour; but they have not a sufficient supply of the third, viz., capital. They realise that in order to produce wealth on a large scale they *must* have

abundant capital; therefore they borrow from Western Europe, which has become in the last century the loan market of the world, and they pay the interest on this capital by an export of produce over and above what is requisite to pay for imports and meet their other liabilities. With the assistance of European capital they open new springs of industry, and out of the profits of these enterprises they pay a comparatively small proportion in interest, and the balance they keep for themselves. This is exactly what India is doing, and indeed India illustrates in its most obvious form the advantage of borrowing foreign capital. As most of the foreign capital employed in India is borrowed by Government, India has to pay for the use of it only a low rate of interest, and she retains for her own benefit any profits which are made in excess of interest. A good illustration of this process may be seen in the Indian railways and canals. The capital required to construct them is borrowed at $3\frac{1}{2}$ per cent., but the railways and canals earn profits which amount to 4, 5, or 7, and sometimes, as in the case of the Eastern Jumna Canal, over 20 per cent. The difference stays in the country and represents a net addition

to the wealth of India. Even, therefore, from the mere capitalist point of view the transaction is a highly profitable one.

But the capitalist point of view is not the true one. The profits earned represent only a small part of the advantage which a country derives from the development of new industries by means of imported capital. The really important gain is the increase in the national dividend, the fund from which wages and rent, as well as profits, are paid. This gain is realised even when all profits are taken out of the country for the benefit of foreign shareholders. By the creation of a new industry a fresh spring of wealth is opened from which a large number of people are supported before there is any question of interest or profits. The first charge upon any industry, whether worked in the interest of foreign shareholders or native owners, is the wages of the workmen; the second is usually rent, which is taken either by a private landlord or by the Government; then there are a variety of charges for repairs, protection, advertisement, local dues, etc., all of which go to the inhabitants of the country. When all these claims have been met, but not before, the proprietors take their

profits. These profits, even when large, bear but a small proportion to the total wealth produced. Let the reader take the Annual Profit and Loss Account of any registered company in India and see how large a share of the values annually created is distributed among the children of the soil. On p. 221 will be found such an account from the Report of the Calcutta Landing and Shipping Company. The ground I have chosen is favourable to those who maintain that the profits of foreign capital are a "drain" on the resources of India, because in the half-year under review the Directors declared a dividend at the rate of 12 per cent. per annum. But this handsome return upon capital amounted to less than a quarter of the total earnings of the company. Out of Rs.1,73,896 earned in the half-year, the Directors distributed Rs.1,16,090 in the country upon working expenses; of these, crews' wages (Rs.70,364) constituted much the largest item. Salaries and wages together amounted to nearly twice the sum allotted to profits.

There is, of course, no general rule governing the proportion which interest on capital bears to the gross earnings of an industrial enterprise. Some forms of industry require large

expenditure on fixed capital, and in them the interest charges are proportionately large; in others the fixed capital is relatively small, and interest charges correspondingly insignificant; the greater part of the gross earnings being expended on wages and what is called circulating capital. But even in industrial enterprises which demand heavy initial outlay the amount spent in the country on working expenses is always very large. Railways are the most conspicuous example of enterprises which demand large capital expenditure, and on Indian railways the working expenses, on the average of all the lines, have been 50·42 per cent. of the gross earnings during the decade. The capital invested in Indian railways, most of which came from abroad, has called into existence a new industry and created a new fund of wealth. Out of this new fund of wealth over half a million Indians derive their livelihood every year, and the State, after paying interest to its foreign creditors, has drawn a clear profit of more than £8,000,000 sterling in the decade to the advantage of the community as a whole. These are advantages which can be computed arithmetically; the gain derived by the country in general from cheap transport cannot be put in a statistical

form, but it is so great that it would have been better to secure it by a permanent charge on Indian revenues rather than go without it; as a matter of fact, the advantage has been secured at a profit to the State. I have not written to any purpose if I have not satisfied the reader that means of transport are the indispensable condition of industrial reorganisation. When India has passed out of the archaic and into the modern economic *régime*, and when the dust of the present controversy is laid, she will, I am confident, look back with gratitude upon the railways built by foreign capital, as the harbingers of industrial prosperity.

The advantage which irrigation works bring to the people in general, over and above the profit to the State and the means of livelihood they offer to those employed on them, is not generally disputed. Everybody can see the advantage which the country derives from the rich crops now waving over districts which were formerly arid wastes. As a matter of statistics, the annual value of the crops raised in 1908-9 on the irrigated area was estimated at 121 per cent.¹ of the capital outlay on works for which capital accounts are kept. This figure is a sufficient demonstration of the advantage which

¹ *Vide* "Review of Irrigation in India, 1908-9."

India has derived from the £34,500,000 sterling borrowed for purposes of irrigation.

Statistics with regard to specific industries created in India by foreign capital are perhaps not required; at best they are dull reading, and the general proposition which I have to advance hardly stands in need of such laborious demonstrations. I prefer to put it simply as follows:—Businesses conducted upon modern lines (and no others are profitable nowadays) require heavy capital expenditure; factories require costly machinery, railways need permanent way and rolling stock, canals must have weirs, locks, and gigantic earthworks. Countries in a backward economic condition realise that they must furnish themselves with these things if they are to grow rich. They cannot find the necessary capital themselves, so they raise loans abroad, and out of the proceeds they furnish themselves with the equipment of a modern industrial society; from the working of their machinery and railways and canals they pay the interest on the loans. This, then, is a part of the answer to the question which we are now discussing. The economic equivalent which India receives for a part of her foreign payments is the equipment of modern industry.

Before leaving this part of the subject, I

should like to point out that the necessity of importing foreign capital is very clearly recognised in other countries which are going through the same industrial transition as India. The statesmen of Japan thought this necessity so urgent that they created a special institution, called the Industrial Bank of Japan, to facilitate the import of foreign capital. The President, Mr J. H. Soyeda, thus describes its origin:—

“At the close of the war with China a new epoch opened for the industries of Japan; she could no longer remain content with her own insular supplies and demands. There was a general outburst of activity in the business world in consequence of the successful war, and the country became seized with a feverish zeal for new enterprises. In this state of things the home supply of money was far from adequate to meet the demands for funds required for national and private industrial undertakings. These requirements were so far in excess of the supply of funds that, when the Government appealed to the money market in March 1896, the amount needed was not forthcoming.

“FOREIGN LOANS OF 1897 AND 1899

“This repulse induced the Government to avail itself of an external issue of capital, and

in May 1897 it succeeded in negotiating with a London syndicate to float the Government's 5 per cent. war bonds to the amount of 43,000,000 yen, securing very favourable terms. Encouraged by this remarkable success, the Government in 1899 considered it wise to raise further funds abroad for the purposes of extending railways, constructing those in Hokkaido, and of starting or carrying on various undertakings throughout the Empire; and for these purposes a 4 per cent. loan of £10,000,000 was floated in London.

"It happened about this time, as already stated, that Japan's foreign credit having been raised by the war, there were many who were disposed to invest money in Japanese securities. Unfortunately, however, there existed at that time no special machinery or institution to act as a medium between those in need of money in Japan and capitalists abroad.

"AN AGENCY FOR FOREIGN LOANS

"Under the pressure of these circumstances, an opinion arose in Government circles as well as among the general public that the country ought to possess a banking institution dealing specially in credit instruments to serve as a central monetary representative of industrial interests, in the same way that the Bank of Japan existed as the chief central financial

institution, the Hypothec Bank of Japan for the agricultural interests, and the Yokohama Specie Bank acting on behalf of foreign trade.

“As the result of this movement a Bill for the establishment of a special bank was introduced in the Imperial Diet at its session of 1899-1900, and it passed the two Houses in February 1900. The Bill was enacted in March following, and promulgated as the Law of the Industrial Bank of Japan. Immediately after this the Government appointed a committee to organise the bank, and in December 1901 they were able to invite subscriptions for shares. Their efforts were extremely successful; the subscription amounted to three times the capital, and in April 1902 the bank was opened for business.

“INFLUX OF FOREIGN CAPITAL

“The condition of things at home and abroad being such as has already been described, it was natural that foreign capital should begin to flow into the country. The loans raised abroad either by the newly founded Industrial Bank of Japan, or for the undertakings for which it acted as trustee or guarantor, can thus be tabulated.”¹

And Mr Soyeda proceeds to give the tables printed on pp. 208 and 209.

¹ *Vide the Times*, 19th July 1910. Supplement on the Japanese Empire, an article on “Foreign Investments” by Mr J. H. Soyeda, President of the Industrial Bank of Japan.

The rest of the article is devoted to showing that Japan offers a safe and lucrative opening for foreign investments, and is of interest as evidence of the great importance attached by Japanese statesmen to attracting foreign capital to their country and of the pains they take to dissipate any misapprehensions which would damage their credit in the European loan market. This indeed is the attitude of statesmen in all countries which are developing their resources, and they occasionally appeal to the British investor in pathetic tones not to overlook their particular interests. A former Servian Minister to England, Monsieur Chedo Nijatovich, pleads for Servia and other Balkan States in the *Morning Post* of 12th August 1909, in the following terms:—

“I venture to say that the economic mission of Great Britain in the Near East is not limited to, much less exhausted by, British capital investment in Turkey proper. Bulgaria, Greece, Macedonia, Servia are as rich in natural resources, if not richer, as Turkey, and they are not less poor in capital. The Christian people of the Balkan National States (Bulgaria, Greece, Servia) are highly intelligent and as honest and honourable as the Muhamadan Turks. They are all

democratic, and with them the constitutional *régime* is not a risky experiment, but has been firmly established. Their laws and public institutions bear the seal of European civilisation. There is absolutely no reason why British capital should continue to shun these countries. . . . The greatest service which Great Britain could do to the cause of peace in the Balkans, and therefore in Europe, would be to encourage us all by the assistance of British capital to concentrate all our energies to the economic development of our countries.

“Be friends and helpers to the ‘Turks by all means. But why should you not be friends and helpers, in a similar way, to the Servians, Bulgarians, Greeks too?”

One other comparatively small point remains to be dealt with. India's indebtedness to England is not principally due to her political connection with the British Empire. It is due to the fact that London is the principal loan market of the world. Public as well as private loans are raised by foreigners in London, because money may be had more easily and more cheaply in London than anywhere else. By a laborious search through the records of the new issues of capital, Mr George Paish has been able to

present us with a record of the borrowings of other countries in London in one year (1908-9), from which we can get some idea of the magnitude of the dealings in the world's greatest loan market. Here it is:—

THE COUNTRIES IN WHICH GREAT BRITAIN HAS INVESTED CAPITAL
IN THE YEAR FROM 1st JULY 1908 TO 30th JUNE 1909.¹

| | Governments. | Municipalities. | Railways. | Other securities. | Total—all securities. |
|----------------------------------|------------------|------------------|------------|-------------------|-----------------------|
| | £ | £ | £ | £ | £ |
| <i>India and the colonies.</i> | | | | | |
| <i>Australasia—</i> | | | | | |
| New South Wales . . . | 4,417,500 | ... | ... | 266,908 | 4,684,408 |
| New Zealand . . . | ... | ... | ... | 70,000 | 70,000 |
| Queensland . . . | 1,940,000 | ... | ... | 145,500 | 2,085,500 |
| South Australia . . . | ... | ... | ... | ... | ... |
| Tasmania . . . | 197,000 | ... | ... | ... | 197,000 |
| Victoria . . . | 1,470,000 | ... | ... | 193,000 | 1,663,000 |
| Western Australia . . . | 1,394,425 | 1,222,552 | ... | 127,833 | 2,744,810 |
| Unenumerated Australasia . . . | ... | ... | ... | 800,000 | 800,000 |
| Total Australasia . . . | 9,418,925 | 1,222,552 | ... | 1,603,241 | 12,244,718 |
| British East Africa . . . | ... | ... | ... | 20,000 | 20,000 |
| British Guinea . . . | ... | ... | ... | ... | ... |
| British North Borneo . . . | ... | ... | ... | 865,259 | 865,259 |
| Canada . . . | 10,846,190 | 2,506,949 | 7,446,776 | 7,661,486 | 28,461,401 |
| Gold Coast . . . | 990,000 | ... | ... | 317,286 | 1,307,286 |
| India . . . | 7,275,000 | 1,178,500 | 5,303,875 | 556,970 | 14,314,345 |
| Jamaica . . . | ... | ... | ... | 124,144 | 124,144 |
| Malta . . . | ... | ... | ... | 125,000 | 125,000 |
| <i>South Africa—</i> | | | | | |
| Cape Colony . . . | 1,500,000 | 372,550 | ... | ... | 1,872,550 |
| Natal . . . | 477,500 | 185,000 | ... | ... | 662,500 |
| Orange River Colony . . . | ... | 73,500 | ... | ... | 73,500 |
| Rhodesia . . . | ... | ... | ... | 1,580,853 | 1,580,853 |
| Transvaal . . . | 3,840,000 | 95,000 | ... | 4,640,859 | 8,575,859 |
| Unenumerated, South Africa . . . | ... | ... | ... | 827,500 | 827,500 |
| Total, South Africa . . . | 5,817,500 | 726,050 | ... | 7,049,212 | 13,592,762 |

¹ *Journal of the Royal Statistical Society*, September 1909.

INDEBTEDNESS TO ENGLAND

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TABLE OF BRITISH INVESTED CAPITAL—*continued.*

| | Govern- ments. | Munici- palities. | Railways. | Other securities. | Total—all securities. |
|---|-------------------|----------------------|-------------------|----------------------|--------------------------|
| <i>India, etc.—contd.</i> | £ | £ | £ | £ | £ |
| Southern Nigeria | ... | ... | ... | 113,040 | 113,040 |
| Straits Settlements | ... | ... | ... | 1,126,907 | 1,126,907 |
| Unenumerated colonies | ... | ... | ... | 250,000 | 250,000 |
| Total India and the colonies | 34,347,615 | 5,634,051 | 12,750,651 | 19,812,545 | 72,544,862 |
| <i>Foreign countries.</i> | | | | | |
| Argentina | 3,560,800 | ... | 14,917,090 | 5,014,926 | 23,522,816 |
| Belgium | ... | ... | ... | 80,000 | 80,000 |
| Brazil | 9,267,138 | 1,724,700 | 1,029,380 | 2,773,479 | 14,794,697 |
| Bolivia | ... | ... | ... | 10,000 | 10,000 |
| Chili | 2,895,000 | ... | 846,000 | 398,200 | 4,139,200 |
| China | 3,190,000 | ... | ... | ... | 3,190,000 |
| Colombia | ... | ... | 332,480 | 739,375 | 1,071,855 |
| Cuba | ... | ... | 100,000 | ... | 100,000 |
| Denmark | ... | 487,500 | ... | 43,750 | 531,250 |
| Dutch East Indies | ... | ... | ... | 177,004 | 177,004 |
| " West " | ... | ... | ... | 50,000 | 50,000 |
| Ecuador | ... | ... | 416,070 | ... | 416,070 |
| Egypt | ... | ... | ... | 769,570 | 769,570 |
| Finland | 1,665,000 | 598,400 | ... | ... | 2,263,400 |
| France | ... | ... | ... | 335,067 | 335,067 |
| Germany | ... | ... | ... | 47,000 | 47,000 |
| Japan | ... | 3,756,353 | 1,950,000 | 970,000 | 6,676,353 |
| Mexico | ... | ... | 7,301,444 | 5,572,810 | 12,874,254 |
| Netherlands | ... | ... | ... | 125,000 | 125,000 |
| Nicaragua | 460,000 | ... | ... | ... | 460,000 |
| Norway | ... | 381,150 | ... | 155,000 | 536,150 |
| Panama | ... | ... | ... | 111,000 | 111,000 |
| Paraguay | ... | ... | 182,000 | ... | 182,000 |
| Persia | ... | ... | ... | 1,200,000 | 1,200,000 |
| Peru | ... | ... | ... | 130,000 | 130,000 |
| Philippines | ... | ... | 1,819,393 | ... | 1,819,393 |
| Portugal | ... | ... | ... | 20,000 | 20,000 |
| Russia | 8,475,525 | ... | ... | 1,065,250 | 9,540,775 |
| Salvador | ... | ... | 36,000 | ... | 36,000 |
| Spain | ... | ... | ... | 59,993 | 59,993 |
| Sweden | ... | 881,000 | ... | ... | 881,000 |
| Turkey | 979,381 | ... | 204,800 | ... | 1,184,181 |
| United States | ... | 338,250 | 10,358,621 | 2,937,784 | 13,634,655 |
| Uruguay | ... | ... | 540,000 | 158,384 | 698,384 |
| Venezuela | ... | ... | ... | 25,000 | 25,000 |
| Unenumerated, foreign countries | ... | ... | ... | 1,429,238 | 1,429,238 |
| Total, foreign countries | 30,492,844 | 8,167,353 | 40,033,278 | 24,427,830 | 103,121,305 |
| Grand total | 64,840,459 | 13,801,404 | 52,783,929 | 44,240,375 | 175,666,167 |

This practice of lending on a large scale has been in progress for a long time, and the total amount of British capital invested abroad had reached in 1907 a total of nearly £2,700,000,000, yielding to English capitalists an income of £139,791,000 per annum. Of the total invested nearly £1,700,000,000 has been expended upon railway construction. These colossal figures are not only a token of the advantage which England secured by her long start in economic reorganisation; they are also a measure of the extent to which other countries are furnishing themselves with the industrial equipment which has made England rich.¹

I must now deal with a point which has, I am sure, been in the mind of the reader for some time. All India's payments, it may be objected, are not for interest on capital, and it is because her remittances are not purely economic that India's case differs from that of the other

¹ In the course of discussion at the Statistical Society some criticism was directed against Mr Paish's paper on the ground that much of the money for loans issued in London was actually found in Germany, France, and elsewhere. Whether this criticism is well founded or not I am not competent to say; but at any rate it in no way invalidates the conclusion I illustrate from Mr Paish's tables; viz.: that London is the great investment market of the world, to which people of all nations resort to lend or borrow money, India amongst others.

countries which are developing their resources. India's political connection with England imposes upon her the obligation of making remittances to that country under a head called Home Charges; and Home Charges do not figure in the accounts of any other nation. This is an objection which deserves to be carefully considered. Otherwise we cannot frame a complete answer to the question: What economic equivalent does India receive for the "drain"?—which, as I have already indicated, has only as yet been answered in part.

A detailed account of the Home Charges may be found in the Explanatory Memorandum annually presented to Parliament by the Under Secretary of State for India, and also in Table No. 17 of the Statistical Abstract in a slightly different form. As the estimates of the Home Charges are always very close to the actual expenditure, I will take for examination the Budget figures for the year 1910-11, which happen to be above the average.

[TABLE

HOME CHARGES

| Net Expenditure. | Budget, 1910-11. |
|--|---------------------|
| Interest and Management of Debt (excluding Interest charged in Railway Revenue and Irrigation Accounts) | £ 2,238,200 |
| Railway Revenue Account | 8,757,500 |
| Irrigation: Interest on Debt | 111,700 |
| Civil Administration: | |
| Payments on account of Departments in India, passage, outfit, &c. | 46,000 |
| Postal Subsidy | 54,600 |
| Telegraph: | |
| Red Sea Company's Annuity | .. |
| Indo-European | 23,500 |
| Joint Purse Guarantee | .. |
| Public Works: Civil Engineering College | 1,000 |
| Other Charges | 1,500 |
| Indian Civil Service: Allowances to Candidates, Examinations, &c. | 12,500 |
| Lunatics: Maintenance | 1,500 |
| Political Charges: Persian Mission and Minor Consulates | - 14,175 |
| Pensions: Territorial and Political | 10,400 |
| Other Charges | 2,800 |
| India Office: Salaries of Establishment | 143,200 |
| Auditor's Department | 6,700 |
| Store Department | 25,600 |
| India Store Depôt—additions to building | 1,500 |
| Stationery, Postage, Telegrams, and other Charges | 25,975 |
| Army, and Marine, Effective: | |
| Home charges of British forces serving in India (deducting receipt of £100,000 from War Office on account of Aden) | 851,700 |
| Troop Service and Transport (deducting receipt of £130,000 from War Office) | 171,300 |
| Receipt on account of Indian Native Regiments lent for service in the Colonies | - 126,000 |
| His Majesty's ships in Indian Seas | 100,100 |
| Other charges | 94,500 |
| Stores: Civil and Public Works | 307,700 |
| Telegraph | 118,600 |
| Marine | 94,700 |
| Army | 492,000 |
| Military Works | 26,300 |
| Special Defences (1902) | .. |
| Miscellaneous Charges | 7,500 |
| Furlough: Civil | 398,000 |
| Army and Marine | 498,000 |
| Telegraph and Public Works | 74,500 |
| Non-Effective Charges (including India Office Pensions): Civil | 1,438,300 |
| Army and Marine | 3,057,300 |
| Total | 19,054,500 |

This account may be simplified under the following large heads:—

| | |
|--|--------------------|
| Interest on Debt | £11,107,400 |
| Payments in connection with Civil Departments in India | 139,625 |
| India Office (excluding Pensions) | 202,975 |
| Army and Marine effective charges | 1,091,600 |
| Stores of all kinds charged against revenue | 1,046,800 |
| Furlough Allowances | 970,500 |
| Pensions and Gratuities | 4,495,600 |
| | <hr/> |
| | <u>£19,054,500</u> |

This analysis shows that the great bulk of the Home Charges are not a fresh burden upon the resources of India but nothing else than the very items we have hitherto been discussing, and are entirely independent of the political connection between England and India. Of the £11,107,400 appropriated to the service of the debt, £8,869,200 is interest on capital invested in the development of the country, and stands in no need of further explanation, £2,238,200 is interest upon the ordinary debt, cost of management, etc.

This, of course, is a very small sum when compared with the interest paid in unproductive debt by most of the great nations of the world ;

the United Kingdom, for instance, has a debt of over £700,000,000, with an interest charge of over £20,000,000 a year, and practically the whole of this was incurred for unproductive purposes. Over £11,000,000 of the Home Charges are therefore exactly similar to payments which other countries make for interest on debt, and for our present purpose—which is to find out what charge is imposed on India by her political connection with England—should be eliminated. We must make a yet further deduction of £1,046,800, which appears in the account as payment for stores. Stores are goods bought in Europe by the Government of India; they are simply imports brought into the country by one large buyer, and are so classified in the Trade Returns. For the payment made under this head India receives a material equivalent just as much as she does when her private merchants import goods from abroad. This item, therefore, must also be eliminated from our present account. We may therefore at once get rid of £12,154,200, or nearly two-thirds of the Home Charges, as being irrelevant to our present discussion. There remains a sum of a little less than £7,000,000, with regard to which it is not unreasonable to say that it is due to the political

connection with England; if a precise meaning is to be attached to the expression "political drain," it can only be when applied to this seven millions. The whole of this amount is, of course, paid for services rendered, and did the connection with England not exist, the Indian Government would still have to make equivalent payments for such services; but she would not make them to the British Treasury and to Englishmen residing out of India; they would not appear to "go out of the country." Let us see, then, what India gets for these seven millions. She gets, of course, freedom from external aggression, and peace and order within her borders; these are the conditions without which her industrial development would be impossible. Whether India could get these benefits without the co-operation of Englishmen is a question which I decline to discuss. I am not going to enter into any argument concerning the relative capacities of Indians and Englishmen. What I will consider is this: If India stood outside the Empire, as Japan does, would she be saved the expenditure of these seven millions? The answer is that she would not.

The first thing to observe is that by being inside the British Empire India can command

the services of the British Fleet, but she only contributes £100,000 towards its upkeep. A powerful navy is indispensable to protect India from invasion. The Portuguese, the Dutch, the French, and the English have in the past effected an occupation of Indian territory from the sea, and as the political power of the world is at present distributed, it is from the sea that an invasion is most to be feared. To protect herself from this danger India would need a navy certainly not less powerful and therefore not less expensive than that of Japan. The Japanese Navy in the present year (1910) costs £7,500,000. About half this is entered in the accounts as extraordinary expenditure. Finance ministers all the world over know that extraordinary expenditure has a disagreeable habit of becoming normal and indispensable even when extraordinary conditions have passed away. It is therefore quite possible that naval expenditure in Japan will never fall substantially below £7,000,000. But we will, for the sake of argument, suppose that India could be adequately protected from invasion by sea for a somewhat smaller sum, and assume that the existence of the British Navy saves the Indian taxpayer about £4,000,000 or £5,000,000

sterling annually. Other small savings such as that which India effects by not having to maintain a Diplomatic and Consular Service of her own, I will leave out of account, and I will pass at once to the greatest saving of all which arises directly from India's political connection with England. It is this:—England's credit enables India to borrow money much more cheaply than she could otherwise do, and, as a matter of fact, India can and does borrow money much more cheaply than Japan. Japan pays from 6 to 8 per cent. on internal loans, and $4\frac{1}{2}$ to 5 per cent. on foreign loans. As about half the Japanese National Debt, which now amounts to £257,000,000 sterling, was incurred through internal loans, it would not be safe to place the rate which Japan actually pays upon borrowed money at less than 5 or 6 per cent., *i.e.*, $5\frac{1}{2}$ per cent. India borrows at $3\frac{1}{2}$ per cent. The gain to India from the English connection may therefore be expressed as a reduction of 2 per cent. in the rate at which she has borrowed capital. An additional 2 per cent. upon India's total debt of £267,000,000 would represent an additional charge of £5,340,000 a year. This in itself is not very far from being enough to wipe out the whole

of the "political drain." But this calculation only takes account of the present; the gain in the future is even more remarkable. The advantage of England's credit is a continually increasing advantage. If India is ever to become a great manufacturing and commercial nation, she will need to borrow some hundreds of millions more in the near future, and on every hundred million of capital she will pay approximately £2,000,000 less in interest than she would do if she stood alone. I will not attempt to state in figures the precise value to India of the connection with the British Empire, but I hope I have said enough to convince a fair-minded critic that the advantages which the British Navy and British credit confer on India are a liberal offset against her expenditure on pensions and gratuities to her English servants. I do not, of course, mean that Indian publicists are wrong in watching very jealously every rupee that is spent in England or in criticising some items in the account. In all large expenditure there will always be found some items about which there may be two opinions, but in the case of India these items are not of sufficient importance to affect the value of the political connection with

England when viewed broadly, and as one whole. When it is viewed in this way I do not believe it is possible to resist the conclusion that India derives a pecuniary advantage from her connection with the British Empire.

The answer, then, which I give to the question "What economic equivalent does India get for foreign payments?" is this. India gets the equipment of modern industry, and she gets an administration favourable to economic evolution cheaper than she could provide it herself.

This brief survey of a large question must now be brought to an end; the conclusion to which it points is that India's industrial transformation is near at hand; the obstacles which have hitherto prevented the adoption of modern methods of manufacture have been removed; means of transport have been spread over the face of the whole country, capital for the purchase of machinery and erection of factories may now be borrowed on easy terms; mechanics, engineers, and business managers, may be hired from Europe to train the future captains of Indian industry; in English a common language has been found in which to

transact business with all the provinces of India and with a great part of the Western World; security from foreign invasion and internal commotion justifies the inception of large enterprises. All the conditions are favourable for a great reorganisation of industry which when successfully accomplished will bring about an increase hitherto undreamt of in India's annual output of wealth. Whether this change will be accompanied by the evils which have disfigured the industrial revolution in the West is a question which lies behind the curtain of the future. We can only hope that India may be warned in time by the example of Europe, and that her industrial revolution may not be disfigured by the reckless waste of human life and human happiness which has stained the annals of European industry. Most of all must we wish that in the fierce struggle for material wealth she may not lose the lofty idealism by which she has hitherto been so nobly distinguished.

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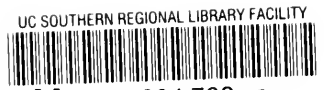
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